

Welcome

Building a 21st Century City

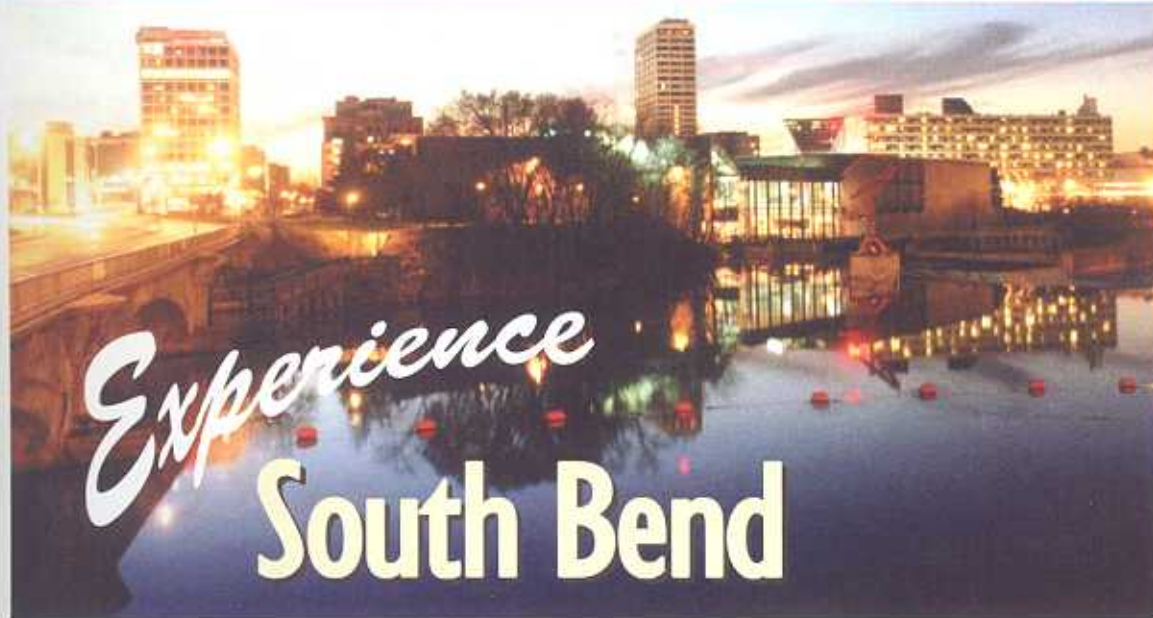
City

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Welcome to South Bend!



Mayor Stephen Luecke, Clerk & Common Council

www.SouthBendIN.gov

SOUTH BEND, INDIANA CAFR COMPREHENSIVE ANNUAL FINANCIAL REPORT 2005

FOR FISCAL YEAR ENDING
DECEMBER 31, 2005

SOUTH BEND



Building a

21st Century City

Mayor Steve Luecke

South Bend's New Police Department Headquarters and Regional Training Academy



On May 19, 2005 the new South Bend Police Headquarters and Regional Training Academy was officially dedicated and a new era for the South Bend Police Department began. The new facility provides the Department with a modern, 21st century workspace, as well as improving public access.

With a fitness center, indoor shooting range, large classrooms and plenty of conference space, Headquarters is also a model training facility. An array of specialty training sessions and distance learning police academy courses are offered through our state-of-the-art Regional Training Academy, not only to our own law enforcement personnel but to hundreds of officers from nearby cities and counties.

In addition, the facility is equipped with the latest police technology. The Automatic Fingerprint Identification System (AFIS) and Integrated Ballistics Information System (IBIS) help to link fingerprints and guns to offenders. This revolutionary technology has taken the South Bend Police Department Forensics Laboratory to a new level of scientific evidence analysis. In fact, with the addition of the IBIS computer terminal and a full-time ballistics examiner, the South Bend Police Department has one of the finest forensic firearms labs in the region.

The new facility houses the Uniform, Investigative, Community Relations, and Service Divisions of the Department, and provides the 258 sworn officers and 108 civilian employees of the South Bend Police Department with a home that matches the professionalism of the Department.



Comprehensive Annual Financial Report

City of South Bend, Indiana
For the Year Ended December 31, 2005

Prepared By:
Department of Administration and Finance
M. Catherine Fanello, City Controller



MAYOR, COUNCIL & CLERK

The Mayor is elected to a four-year term and serves as the full-time chief executive of the City. His responsibilities include the administration of all City Departments and he has veto power over legislative action by the Common Council.

The Common Council consists of nine elected members. Six members represent individual districts and three members are elected at-large. The Common Council meets formally twice a month to conduct its business. Their duties include the enactment of all local ordinances for the City and the appropriation of all City funds.

The Clerk's Office is the custodian of all City ordinances and minutes of all Council meetings as well as the City seal. Additionally, the Clerk is responsible for ordinance violations that are \$50 and under including all parking tickets and curfew violations.




SOUTH BEND



Smart Growth

Mayor **Steve Luecke**



**CITY OF SOUTH BEND, INDIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS**

INTRODUCTORY SECTION

Table of Contents	i
City Officials	iv
Controller's Letter of Transmittal	v
Certificate of Achievement for Excellence in Financial Reporting	xvii
Organization Chart.....	xviii

FINANCIAL SECTION

Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	1
Management's Discussion and Analysis	3

Basic Financial Statements:

Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures and Other Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets – Proprietary Funds	20
Statement of Revenues, Expenses and Other Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	27
Notes to Financial Statements	28

Required Supplementary Information:

Schedules of Funding Progress	61
Schedules of Contributions From the Employer and Other Contributing Entities	62
Budgetary Comparison Schedules	63
Budget/GAAP Reconciliation	69

Combining Statements and Schedules:

Nonmajor Governmental Funds:	
Description	70
Combining Balance Sheet	76
Combining Statement Statement of Revenues, Expenditures and Other Changes in Fund Balances	84
Budgetary Comparison Schedules	92
Nonmajor Enterprise Funds:	
Description	107
Combining Statement of Net Assets	108
Combining Statement of Revenues, Expenses and Other Changes in Fund Net Assets	110
Combining Statement of Cash Flows	111

**CITY OF SOUTH BEND, INDIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS
(Continued)**

FINANCIAL SECTION

(Continued)

Internal Service Funds:	
Description	113
Combining Statement of Net Assets	114
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	115
Combining Statement of Cash Flows.....	116
Fiduciary Funds:	
Description	118
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	119
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	120
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	121

STATISTICAL SECTION

General Governmental Expenditures by Function	123
General Revenues by Source.....	124
Total County Option Income Tax Levy by Taxing Unit.....	125
Property Tax Levies and Collections	126
Assessed and Estimated Actual Value of Taxable Property.....	127
Detail of Net Assessed Valuation	128
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	129
Computation of Legal Debt Margin	130
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures.....	131
Schedule of Revenue Bond Coverage –Wastewater Utility Bonds	132
Schedule of Revenue Bond Coverage –Water Utility Bonds.....	133
Detail of City Tax Rate	134
Property Tax Rates – Direct and Overlapping Governments	135
Computation of Direct and Overlapping Debt.....	136
County Income Tax Revenue – History and Projected Distribution.....	137
Demographics Statistics	138
New Construction – Number of Permits and Property Values.....	139
Financial Institution Data.....	140
City's Ten Largest Taxpayers	141
City's Ten Largest Water Customers.....	142
City's Ten Largest Sewage Works Customers.....	143
Comparison of Growth Rates in Personal Income for St. Joseph County, the State of Indiana and U.S. Disposable Personal Income	144
Miscellaneous Statistics.....	145
Insurance Coverage	147

CITY OF SOUTH BEND, INDIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005
TABLE OF CONTENTS
(Continued)

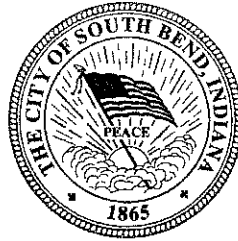
COMPLIANCE SECTION

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	149
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	150
Schedule of Expenditures of Federal Awards	152
Notes to Schedule of Expenditures of Federal Awards	155
Schedule of Findings and Questioned Costs	156
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings	157

CITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	Stephen J. Luecke	01-01-04 to 12-31-07
Controller	Frederick B. Ollett, III M. Catherine Fanello	01-01-04 to 04-17-05 04-18-05 to 12-31-07
City Clerk	John Voorde	01-01-04 to 12-31-07
President of the Board of Public Works	Gary Gilot	01-01-05 to 12-31-06
Common Council Members		
1 st District	Derek D. Dieter	01-01-04 to 12-31-07
2 nd District	Charlotte Pfeifer	01-01-04 to 12-31-07
3 rd District	Roland Kelly	01-01-04 to 12-31-07
4 th District	Ann Puzzello	01-01-04 to 12-31-07
5 th District	David Varner	01-01-04 to 12-31-07
6 th District	Ervin Kuspa	01-01-04 to 12-31-07
At Large	Karen L. White	01-01-04 to 12-31-07
At Large	Timothy A. Rouse	01-03-05 to 12-31-07
At Large	Al (Buddy) Kirsits	01-01-04 to 12-31-07

COUNTY-CITY BUILDING
227 W. JEFFERSON BLVD.
SOUTH BEND, INDIANA 46601-1830



PHONE 574/ 235-9216
FAX 574/ 235-9928
TDD 574/ 235-5567

CITY OF SOUTH BEND STEPHEN J. LUECKE, MAYOR

DEPARTMENT OF ADMINISTRATION AND FINANCE

M. CATHERINE FANELLO
CONTROLLER

June 13, 2006

To the Honorable Mayor Stephen J. Luecke,
Members of the City Council, and
the Residents of the City of South Bend:

The comprehensive annual financial report of the City of South Bend, Indiana (the "City") for the year ended December 31, 2005, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of South Bend's MD&A can be found immediately following the independent auditors report.

The comprehensive annual financial report is presented in four sections: introductory information, financial information, statistical information and federal awards supplemental information. The **introductory section** includes this transmittal letter, the City's organizational chart, a list of principal City officials and the Certificate of Achievement for Excellence in Financial Reporting awarded to the City of South Bend for the year ended December 31, 2004. The **financial section** begins with the independent auditors' report on the City's financial statements and schedules, the City's management and analysis report, followed by the City's basic financial statements and accompanying footnotes. The remaining portion of this section includes the combining and individual fund and account group financial statements and schedules. The **statistical section** includes selected financial and demographic information generally presented on a multi-year basis, which has been provided to give the reader a broader understanding of the City. This document ends with the **federal awards** section, which includes the results of the supplemental audit of the City's federal awards and the internal controls necessary for compliance.

The City is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments

and Non-Profit Organizations, the provisions of Indiana Code section 5-11-1-9 and the requirements of the Indiana State Board of Accounts. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and the auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in this document.

The following pages of this transmittal letter begin with a general overview of South Bend and the surrounding area. Also summarized are the key financial, budgetary and property tax controls with which the City is required to comply. The remainder includes a discussion of the prior year's financial challenges and accomplishments, the City's goals and objectives for this year and beyond and other key issues the City is facing along with the impact they may have on current and future budgets.

GENERAL INFORMATION

The City of South Bend is the county seat of St. Joseph County, Indiana, and is the fourth largest city in the state. Its 2000 U.S. Bureau of the Census population of 107,789 classifies it as a "City of the Second Class" under Indiana statutes (cities with a population of 35,000 to 250,000). It operates with a mayor as chief executive and a nine-member City Common Council composed of six members elected from districts and three members at-large.

The City provides a full range of traditional general governmental services to its citizens. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events. In addition to general governmental activities, the Common Council or City Board of Public Works exercises oversight over the South Bend Water Works, the South Bend Wastewater Treatment Facility, the Century Center, the College Football Hall of Fame, the Studebaker Collection, the South Bend Redevelopment Authority and several downtown parking facilities.

Location

St. Joseph County lies within the heartland of the manufacturing belt and metropolitan regions of the Upper Midwest and Canada. The City of South Bend is located in the north central part of Indiana, ten miles south of the Michigan state line, and is commonly known to be within the "Michiana" area. The Michiana area is a vibrant and diverse area with a strong economy based on a mix of agricultural, service, manufacturing, other commercial and tourism industries. This diverse economic mix creates varied employment opportunities for the area's residents while providing insulation via diversification from future economic downturns.

The City is approximately 90 miles east of Chicago and 140 miles north of Indianapolis. Accessibility to transportation, including Interstate 80/90, a regional airport (which is the second busiest in the State of Indiana), the South Shore rail line and a port on Lake Michigan, has supported economic growth within the community. Proximity to Chicago, the largest rail and intermodal (rail/truck/ocean/inland waterway) transfer point in the country, is a significant advantage to St. Joseph County.

St. Joseph County / South Bend - Economic Conditions and Outlook

St. Joseph County, with its 2000 U.S. Bureau of the Census population of 265,559, boasts a strong history of manufacturing which continues today. As a complement to that, the service industry and retail trade has also flourished, creating a balance that serves the community well. The County has experienced a net growth in population of 26,945 (11.3% increase) between 1960 and 2000. After experiencing a reduction of 2.6% during 1969 to 1983, at which time the entire Midwest was at the depth of its economic restructuring and recess, the County's population increased 4.0% between 1983 and 1990 and another 7.5% between 1990 and 2000.

The total labor force in December 2005 of 136,270 in St. Joseph County is typical of the Midwest: well trained with a strong work ethic. Approximately 82.4% of the area's adult population are high school graduates or higher (as compared to the national average of 75%) with an estimated 23.6% with a Bachelor's Degree or higher. There are ten colleges, universities and technical schools within South Bend and the surrounding area including the University of Notre Dame, Indiana University of South Bend, Saint Mary's College, Bethel College and Ivy Tech State College. At the high school level, there are school-to-work transition programs that help prepare students for the world of work. St. Joseph County is currently experiencing an average unemployment rate of around 5.3%, which compares favorably to the December 2005 State of Indiana rates of 5.4%.

The employment profile for St. Joseph County provides a good overview of the economic make-up of this community. Employment statistics for the County's major economic sectors are as follows:

<u>Economic Sector</u>	<u>Number Employed</u>	<u>% of Total</u>
Construction	6.2	3.06%
Manufacturing	21.7	10.74%
Transportation, Communication & Public Utilities	4.5	2.22%
Wholesale Trade	7.6	3.76%
Retail Trade	17.3	8.56%
Finance, Insurance & Real Estate	7.2	3.56%
Services	121.5	60.14%
Governmental (excluding Federal)	16.0	7.96%

St. Joseph County presently has an estimated 98,500 households with per household income as follows: 12% with household incomes that exceed \$75,000; 18% with incomes \$50,000 to \$75,000; 25% with incomes \$35,000 to \$49,999; 18% with incomes \$25,000 to \$34,999; 15% with incomes \$15,000 to \$24,999; and the remaining 12% with household incomes under \$15,000 per year. The median household effective buying income (disposable income after taxes) in the County in 2000 was \$40,420, which equated to more than \$4.36 billion in effective buying income for this area.

Health and education lead the employment statistics for St. Joseph County. The largest employers in the County as of December 2005 were as follows with approximate number of

employees: University of Notre Dame (4,200); Memorial Health System (3,600); South Bend Community School Corporation (3,338); Saint Joseph Regional Medical (3,260); AM General (2,292); St. Joseph County (2,025); The Diocese of Fort Wayne/South Bend (1,750); City of South Bend (1,535); Indiana University of South Bend (1,400); Madison Center (1,239).

The following provides a profile of the adult population residing in St. Joseph County:

Gender:	48% male; 52% female
Age:	11.5% 18-24 years of age; 26.2% 25-34 years of age; 23.1% 35-44 years of age; 13.1% 45-54 years of age; 7.8% 55-64 years of age; and 13.2% 65 years or older
Race:	82.4% White; 12.0% Black/African American; 5.5% Hispanic/Latino; 1.6% Asian; and 1% Other
Marital Status:	50% Married; 18% Widowed/Divorced/Separated; and 32% Single
Home Ownership:	67.5% own; 26.7% rent
Type of Dwelling:	78.6% single unit; 21.4% other

The cost of living continues to be one of the greatest advantages of living in this community. The housing costs in South Bend are well below the national and regional averages. During the second quarter of 2005, the median sales price for a single family home (per the National and Indiana Association of Realtors) for the nation and the Midwest were \$191,300 and \$157,200, respectively, compared to South Bend's median price of only \$93,800. For the same period, Chicago's median price was \$263,300 and Indianapolis stood at \$125,900. South Bend's ACCRA cost of living index for the fourth quarter of 2005 was 97.8. A further breakdown of South Bend's cost of living index for this period was as follows: grocery items - 87.8; housing costs - 102.8; utilities - 103.8; transportation - 97.1; health care - 97.9; and miscellaneous goods and services - 97.9.

The City of South Bend continues to place high emphasis on a growing and diversified local economy. It has been active in developing ten industrial parks, offering itself as a low-cost alternative to the Chicago metropolitan area to companies engaged in light manufacturing, distribution and services. More than 240 businesses operate in South Bend's industrial parks, including companies engaged in metalworking, plastics, warehousing and distribution, and professional services.

The South Bend Community School Corporation serves the entire City and some of the surrounding area and has a current enrollment of approximately 21,797 students in grades kindergarten through high school. An estimated 4,441 students attend private or parochial schools within the City. The ten institutions of higher education and technical training located within the South Bend area have a total enrollment of approximately 32,379. Over the years, the University of Notre Dame has provided a stabilizing influence on the economy with a very significant economic impact upon the community.

South Bend has continued to progress in its growth since 1842, when Father Edward Sorin named his rustic log chapel "Notre Dame du Lac" and began to teach the local Indians. Today, the chapel has grown into the University of Notre Dame. In 1852, H.C. Studebaker started the

industry of making wagons and horse drawn buggies that evolved into the manufacturing of the Studebaker automobile. It made the name Studebaker synonymous with the area of South Bend.

Another industrial firm that would later become the area's largest began in 1923 when Vincent Bendix began manufacturing automotive brakes. In 1929, the company became the Bendix Aviation Corporation, and now, as Honeywell (formerly AlliedSignal Inc.), is a leading manufacturer of automotive and aerospace products.

Other special attractions within the South Bend area include the Olympic-class East Race Waterway and the East Bank area; the newly renovated Morris Performing Arts Center, which provides for the Broadway Theater League, the South Bend Symphony Orchestra with the Chamber and Pops Orchestras and the Southold Dance Theater and Patchwork Dance Company; the South Bend Civic Theater; the Studebaker National Museum; the South Bend Regional Museum of Art; the Snite Museum of Art at Notre Dame; the Northern Indiana Center for History; Copshaholm/The Oliver Mansion; the College Football Hall of Fame; Century Center; Potawatomi Zoo; the Morris Conservatory/Muessel-Ellison Tropical Gardens; Healthworks! Kids Museum; the Farmers' Market; the Belleville Softball Complex; the Firefly Performing Arts Festival. The Coveleski Regional Baseball Stadium, a 5,000-seat facility which opened in 1987, is rated among the best in minor league baseball. It had record crowds during its seasons of play with the South Bend Silver Hawks, a minor league team of the Chicago White Sox up to the 1997 season. During 1997, the City signed on with the Arizona Diamondbacks and looks forward to continued success with its program.

Additional miscellaneous information about the City of South Bend can be found at the end of this transmittal letter.

Financial, Budgetary and Property Tax Controls

The City's Management Team is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City. As part of the City's single audit described earlier, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the year ended December 31, 2005 disclosed no instances of significant material weaknesses in the internal control structure and no significant violations of applicable laws and

regulations.

Budgetary Controls. In accordance with Indiana statutes, the City maintains budgetary controls integrated within the accounting system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget (prepared on a cash basis) which is adopted by the City Council and then reviewed and approved by the Indiana's Department of Local Government and Finance. Activities of the general fund, certain special revenue and capital projects funds and the debt service funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by major budget classification within funds. The City Council may transfer appropriations from one major budget classification to another within a department by ordinance as long as the total appropriations for that department are not exceeded. Transfers from one department to another, or additional appropriations in excess of the original budget, must be submitted to and approved by the Department of Local Government and Finance after these appropriations have been approved by the City Council.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse at year end and are carried over to the subsequent year as a part of the subsequent year's budget.

Property Tax Controls. In addition to budgetary and other controls established by Indiana statute, the City must operate within specific and rigid controls governing the amount of property tax it may levy. The property tax control program, which began in 1973, limits the amount of property tax that may be levied by each unit of government in its legally budgeted funds. The total amount of property tax levied by the unit may increase by the six year average annual growth in Indiana personal non-farm income, as calculated by the U.S. Bureau of Economic Analysis, with a 6% maximum. In addition, if the unit finds that it cannot maintain basic governmental services for its residents within the property tax "freeze," it may appeal to the State Local Government Tax Control Board for an "excess levy" in certain specific instances. As a part of the property tax control program, the state transfers an amount generally equal to 20% of the total property tax levy (except for debt service levies as described below) to the County Auditor to be distributed to each taxing unit as a replacement for 20% of the property taxes levied. This "property tax replacement" is funded through the state sales tax.

The levy for Debt Service funds is controlled via a review and approval process by the Government Tax Control Board (with a subsequent review and approval by the Department of Local Government and Finance) for each issuance of general obligation indebtedness (or lease-purchase) entered into by a taxing unit. In addition, all indebtedness incurred after 1983 no longer receives the 20% state property tax replacement funds mentioned above.

A historical view of the City's tax rate and its net assessed valuation has been included in the statistical section of this document.

Citywide Goals and Objectives for 2005 and Beyond

The City has developed eight broad goals that focus on the following areas: economy, safety,

quality of life, trust, responsiveness, infrastructure, finance and workforce. The City has identified various objectives that are tied directly to these goals which, if achieved, will result in the attainment of these goals. The eight goals are listed below.

GOAL: The Community's Economy

Improve South Bend's economy to ensure a vigorous local business climate; ample employment, business and investment opportunities for all our customers; and a tax base that is sufficient to meet the needs of the City, its residents and other customers.

GOAL: The Community's Public Safety and Civility

Improve South Bend's public safety and civility to ensure that every resident and other customers can live, work, play, run a business and raise a family in a humane, pleasant and safe environment; have adequate, affordable and timely access to all forms of emergency services; and can contribute and participate in a community where people of different backgrounds live in mutual respect and harmony.

GOAL: The Community's Quality of Life

Improve South Bend's quality of life to ensure that every resident and every family can earn an adequate income; secure adequate housing; live in a safe, pleasant and humane neighborhood; enjoy a wide range of social, cultural and recreational opportunities; and have access to quality educational and medical services within an excellent natural and manmade environment.

GOAL: Trust in City Government

Improve residents' trust in City government to ensure that South Bend has a broad base of consensus and support on which to build the future, a strong foundation for collaborative action and community partnerships; and an increase in resident and customer participation in the daily public life of the community.

GOAL: The City's Responsiveness, Efficiency, and Effectiveness

Improve the responsiveness, efficiency, and effectiveness of City government to ensure that the City's customers get the value they expect and deserve.

GOAL: The City's Infrastructure

Improve the City's infrastructure to ensure that South Bend can support physical growth and economic development; and offer an excellent quality of life to all of its residents and other customers.

GOAL: The City's Financial Condition

Improve the financial condition of City government to ensure that South Bend has the financial resources necessary to achieve all its goals for the next five years.

GOAL: The City's Workforce

Improve the City government's existing workforce, work environment and human development systems to ensure that South Bend has the human resources necessary to achieve all its goals for the next five years.

City Mission Statement and Department Purpose Statements

The City provides services to its customers through thirteen administrative departments. These departments have unique purposes that are intended to support the citywide mission statement which is "**to be recognized as a model city.**" Each department has developed a purpose statement which identifies their specific role.

Mayor's Office: Leading the community to become a model city through formulating policy, directing operations and responding to customer concerns.

Common Council: Making certain that our City government is always responsive to the needs of our residents and that the betterment of South Bend is always our highest priority.

City Clerk's Office: Preserving all City Ordinances and Council meeting minutes for generations yet to be, and providing fair and consistent treatment of our Ordinance Violations Bureau customers.

Administration and Finance: Providing financial and organizational stability for the City through sound financial management while ensuring the existence of a safe work environment, quality employee benefits and equal treatment for all City employees.

Legal Department: Providing superior, professional and ethical legal services for our client, the City of South Bend.

Police Department: Protecting the life, property and personal liberties of all individuals; improving the overall quality of life by deterring criminal activity and respecting cultural diversity; delivering fair and impartial law enforcement services to all residents.

Fire Department: Providing the highest level of Fire and Emergency Medical Services possible to all of our customers, saving lives and property, and striving to become a model Fire Department for other cities in an efficient and cost-effective manner.

- Code Enforcement:** Maintaining and improving the physical quality of life in our neighborhoods.
- Park and Recreation:** Offering all residents and guests of South Bend the highest quality of recreational and leisure activities, while providing well-managed parks and recreational facilities with updated programming and friendly productive service.
- Community and Economic Development:** Creating and expanding opportunities through partnerships in neighborhood revitalization, commercial and industrial development and community enhancement.
- Public Works:** Providing leadership in the development and delivery of engineering, fleet, transportation, sanitation, wastewater, water and other services as called upon by our customers.
- Building Department:** Serving our customers by inspecting, informing and ensuring a safe place to work, play and live.
- Century Center:** Providing a state-of-the-art facility with excellent services to customers while generating maximum economic benefit to our community.

Building South Bend in 2005 and beyond

Mayor Stephen Luecke's theme for the past several years has been "We're Building South Bend." That theme has had a major influence on the development of the 2006 budget. There were five areas of concentration that became or remained budget priorities for 2006.

- ***We're Building Neighborhoods*** - Mayor Luecke and the City's elected officials continued their strong commitment to neighborhoods. The City will invest \$4.7 million to fund or leverage state and federal funding for housing assistance, development and home ownership programs, neighborhood public works and parks, neighborhood development for social services and organizations, and public safety initiatives. Committing these resources will help us maintain, improve and support strong neighborhood development.
- ***We're Building a Safe City*** - Public safety is the foundation of all the City's efforts to build South Bend. Through the targeted and creative use of available resources, the City is working to provide quality police, fire and ambulance services for the community. The crime rate has increased in several significant categories over past year. South Bend has 2.4 police officers and 2.3 firefighters per thousand population. These ratios are among the highest in the state and well above the national average. We believe that these extra officers are important for officer safety and community safety. We will also complete the long awaited and much needed design for renovation and expansion of Police Department offices. The City's Fire Department is rated one of the highest in the State. We have recently refurbished

three main fire trucks to like-new status. The Mayor's top initiatives will focus on regional policing, providing in-car cameras for all patrol cars and placing more emphasis on training and recruitment for the Police and Fire Departments.

- ***We're Building an Attractive City*** - We are working to enhance the natural and man-made beauty of our city through effective City programs. For the fifth year in a row we were named a Tree City USA. The Building Block Grant Program helps residents spruce up their neighborhoods, and aggressive Code Enforcement will continue to address deteriorated and nuisance properties. The Commercial Corridors Improvement Fund provides much needed funding to address a variety of needs along five of the City's major corridors. The City is funding major programs for curb & sidewalks, neighborhood centers, weed & seed program, and transforming a former dump into a model outdoor environmental lab.
- ***We're Building Opportunity*** - A key issue for any city is education and opportunity for young people. The City is committed to keeping schools open in our neighborhoods and to maximizing their use by the community. We are building partnerships that will create new strategies for enhancing our formal education system. Working together with families, student groups, school officials, neighborhoods, the faith community and civic organizations, we can support our local schools and improve the level of individual student performance.
- ***We're Building a Strong Economy*** - Local government plays a key role in economic development. By providing adequate infrastructure and offering targeted assistance, the City can stimulate private investment, creating business opportunities and jobs. The City's policies encourage new start-up businesses, strengthen existing business, attract new jobs, increase assessed value and emphasize direct investment in hard-to-develop areas. Efforts have been and will continue to focus on implementing the comprehensive plans for downtown and the East Bank. The City's administration will vigorously pursue the revitalization of older industrial sites, as well as the expansion of the Blackthorn area.

Proprietary Operations. The City's proprietary operations comprise several separate and distinct activities accounted for in both Enterprise and Internal Service funds.

The Enterprise Fund operations include the following: the City's downtown parking garages, water utility services, wastewater utility services, solid waste services, the Century Center, the consolidated St. Joseph County/South Bend Building Department and, Blackthorn Golf Course.

The Internal Service Fund operations include the City's self-funded liability insurance program, the City's self-funded employee benefits program, and Central Services (a department that accounts for the expenses related to fuel, vehicle repairs and various other services and supplies provided to City departments on a cost-reimbursement basis).

Fiduciary Funds. The City's fiduciary duties are accounted for in both Trust and Agency Funds. The primary trust funds are the Police and Fire Pension Funds (explained below). The Agency Fund is for payroll and related employee deductions.

Pension Trust Fund Operations. Most City employees are covered by the Public Employees Retirement Fund and the 1977 Police Officers' and Firefighters' Pension Fund, both administered

by the State of Indiana. However, certain police officers and firefighters hired before May 1, 1977, who did not opt into the 1977 fund, continue to be members of the 1925 Police Pension Fund and the 1937 Firefighters' Pension Fund. These two funds are administered by the City. This group of police officers and firefighters will continue to decline in the future both as a total number and as a percentage of total payroll of both the police and fire departments and of the City as a whole.

The 1925 and 1937 Plans are funded through a combination of property taxes levied by the City and distributions from the State Pension Relief Fund. As a result of the requirements of the state statute that created these funds, the City is legally prevented from funding them in any other way than a "pay-as-you-go" basis. The City has received an actuarial survey on these funds to provide the proper disclosures required by generally accepted accounting principles. This information is included in the following section.

Cash Management. In accordance with state statute, cash temporarily idle during the year is invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and repurchase agreements that are fully collateralized by U.S. Government or U.S. Government Agency obligations.

In addition to the insurance available to all depositors through the Federal government, all deposits of the City are covered by the Public Deposits Insurance Fund maintained by the State Board for Depositories. That fund, established in 1937, covers both principal and interest of all deposits and investments made by an Indiana governmental unit with approved public depositories in accordance with the Public Deposits and Investments Law.

Risk Management. The City has established two self-insurance funds: the Self-Funded Employee Benefits Fund and the Liability Insurance Premium Reserve Fund. As previously mentioned, these self-insurance funds are accounted for as Internal Service Funds. The purpose of the Self-Funded Employee Benefits Fund is to pay medical claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Medical claims exceeding \$125,000 per insured on an annual basis are covered through a private carrier. In addition to medical claims, the fund pays premiums for life insurance and long term disability benefits for employees. The Liability Insurance Premium Reserve Fund covers automobile and comprehensive liability as well as workers' compensation costs. The City's liability for self-insurance is limited to \$300,000 per person and \$5,000,000 in the aggregate per occurrence in accordance with Indiana Tort Law. The accrued liability for estimated insurance claims represents an estimate of the probable loss on unpaid claims arising prior to year end.

Other Information

Independent Audit. In accordance with the state statute, the City is required to be audited annually by the Indiana State Board of Accounts, an agency of the State of Indiana. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-133 as mentioned earlier. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of

this report. For the past fifteen years (years ended December 31, 1990 through 2004) the City has received an unqualified audit opinion. The auditors' reports related specifically to the single audit are included in a separately filed report.

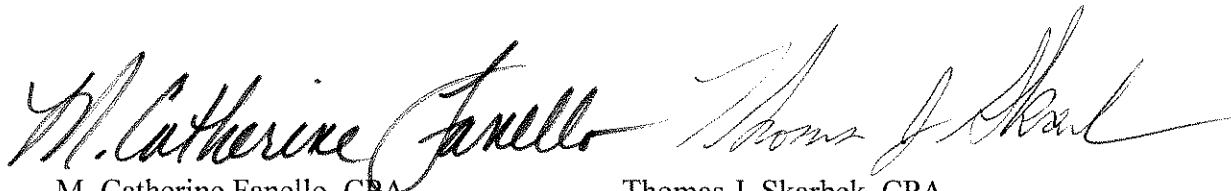
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South Bend for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the fifteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the City's fiscal officers and the entire staff of the Department of Administration and Finance. Each member of the Department has my sincere appreciation for the contributions made in the preparation of this report. In addition, I would like to thank the Field Examiners of the State Board of Accounts for their hard work and dedication in this effort.

In closing, without the leadership and support of Mayor Stephen J. Luecke, the City's Department Heads, and the members of the City Council, preparation of this report would not have been possible.

Sincerely,

The block contains two handwritten signatures in black ink. The signature on the left is 'M. Catherine Fanello' and the signature on the right is 'Thomas J. Skarbek'. Both signatures are written in a cursive, flowing style.

M. Catherine Fanello, CPA
City Controller

Thomas J. Skarbek, CPA
Director of Budgeting & Financial Reporting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Bend,
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

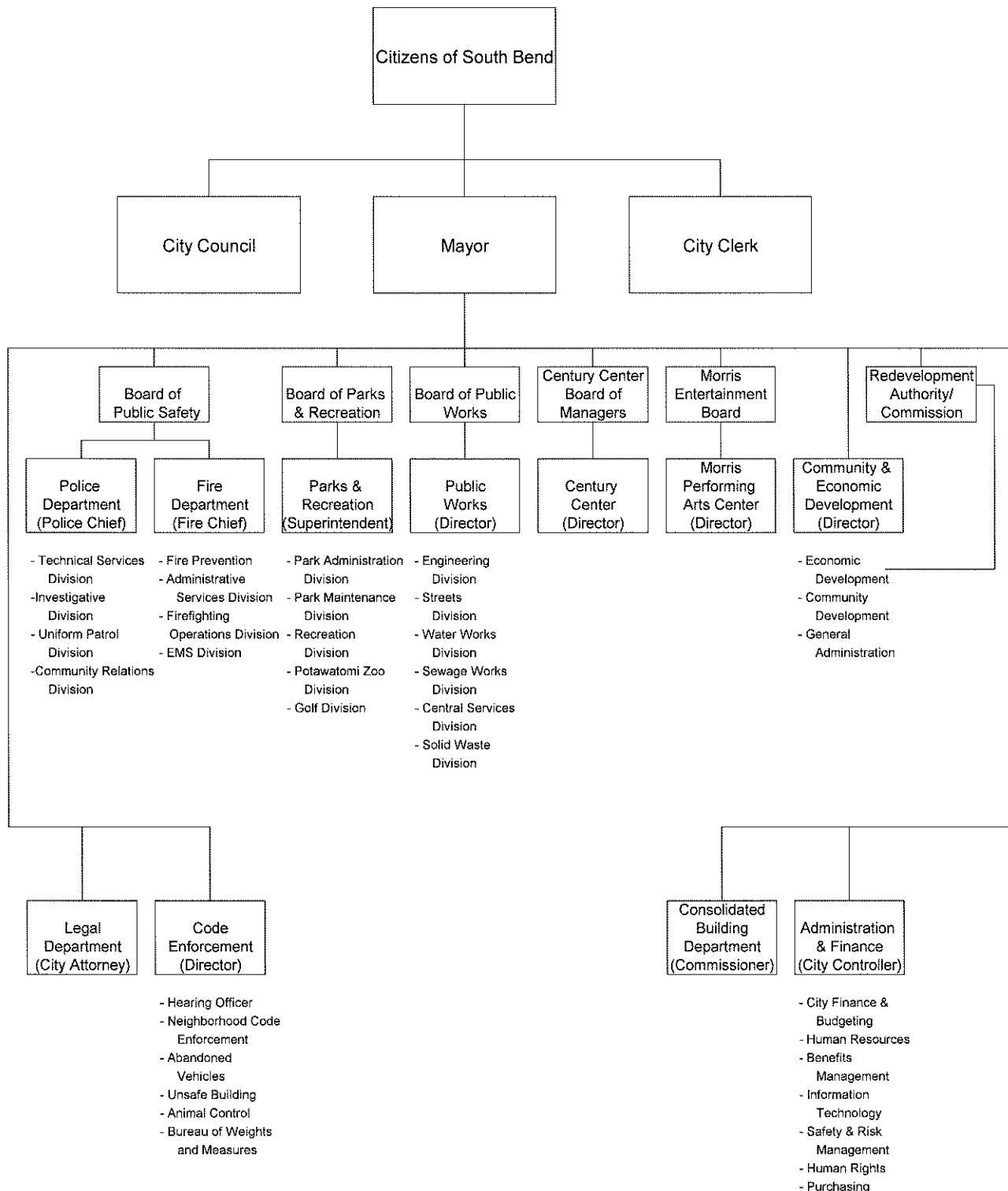
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



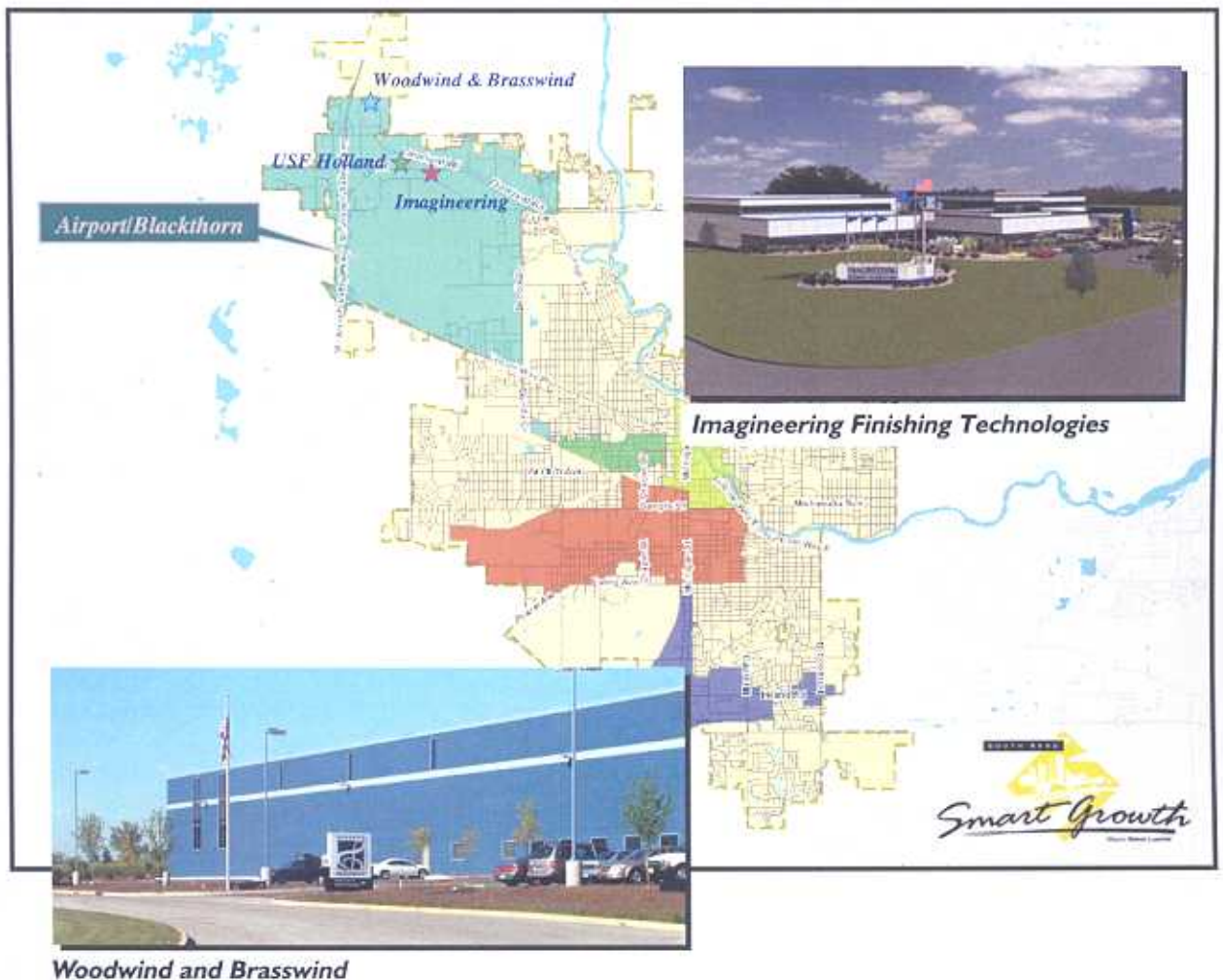
President

Executive Director

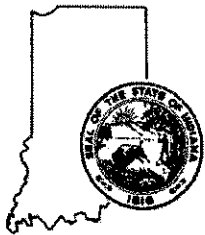
CITY OF SOUTH BEND ORGANIZATIONAL CHART



Economic Development – Blackthorn



At Blackthorn, public investment and development is generating growth and jobs. USF Holland and the Woodwind and Brasswind invested over \$11 million in new or expanded facilities, showing South Bend's strength in distribution and marketing. Imagineering Finishing Technologies began construction on a state-of-the-art facility for its high tech precision metal finishing operations and its corporate headquarters. Included in its new complex will be a one-acre EcoPark that will include trails, streams, ponds, benches and lookout points among plantings that are indigenous to Indiana forests, prairies and wetlands. These new developments from world class companies show how strong businesses flourish in South Bend. Overall, the new development in the Blackthorn area has brought over 400 new businesses, over 3,000 new jobs, and **over half a billion dollars in total investment** since 1991.



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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of South Bend (City), as of and for the year ended December 31, 2005, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements, other budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


STATE BOARD OF ACCOUNTS

April 27, 2006

Management's Discussion and Analysis

As management of the City of South Bend, we offer readers of the City of South Bend's financial statements this narrative overview and analysis of the financial activities of the City of South Bend for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Financial Highlights

The assets of the City of South Bend exceeded its liabilities at December 31, 2005 by \$190,401,407. Of this amount, unrestricted net assets of \$35,709,243 may be used to meet the government's ongoing obligations to citizens and creditors.

The total net assets decreased by \$3,839,885. Of this amount, governmental activities decreased by \$1,821,815 and business-type activities decreased by \$2,018,070.

Total costs of all of the City's programs were \$177 million. This is an increase of \$25.1 million from last year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$18.2 million or 30% of total general fund expenditures.

The City of South Bend's total bond obligations for Governmental Activities increased by the net of \$1 million. This increase was attributable to the issuance of one new mortgage and one new revenue type bond. Business-Type Revenue bond obligation decreased by \$3.8 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of South Bend's basic financial statements. The City of South Bend's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of South Bend's finances, in a manner similar to a private-sector business.

The statement of net assets. This statement reports all assets and liabilities of the City as of December 31, 2005. The difference between total assets and total liabilities is reported as "net assets." Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

The statement of activities. This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City for the year ended December 31, 2005. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of the related revenues, as well as a separate presentation of revenues available for general purposes.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other

functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The major governmental activities of the City of South Bend include public safety, urban redevelopment and housing and general government. The major business-type activities of the City include the wastewater utility, water utility and solid waste.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Bend can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental-fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

General Government Revenues - The following modified accrual schedule presents a summary of general revenues for the year ended December 31, 2005 and the amount and percentages.

<u>Revenues</u>	<u>2005 Amount</u>	<u>% of Total</u>
Taxes:		
General Property	\$ 68,139,669	53.5%
County Option Income	5,695,618	4.5%
County Economic Development	3,464,152	2.7%
Professional Sports Development	385,553	0.3%
Community Revitalization District	965,052	0.7%
Licenses and Permits	246,780	0.2%
Intergovernmental	18,665,828	14.6%
Charges for Services	15,293,779	12.0%
Fines and Forfeits	245,680	0.2%
Interest	3,543,469	2.8%
Donations	550,550	0.4%
Other	10,241,005	8.1%
	<u>\$ 127,437,135</u>	<u>100.0%</u>

As shown above, taxes continue to represent a significant source of revenue needed to support the services provided by the City. The City's single largest source of revenue is generated by property taxation. This revenue calculation is based on a relationship between two variables. The first variable is the assessed property valuation of industrial, commercial and residential parcels, both real and personal property. The second variable is the application of a tax rate to arrive at the total tax levy. Taxable property is assessed at 100% of the true tax value. The City had the ability to increase its general property tax levy by 3.9%, which it elected to do in 2005. The above general property tax revenue includes taxes collected on behalf of the following funds: General Fund, Park and Recreation Fund, Cumulative Capital Development Funds, various capital funds for the City's Redevelopment Tax Incremental Financing (TIF) Funds and a special levy to cover debt service on general obligation bonds. The increase in property taxes collected on behalf of the TIF funds was the result of an increase in net assessed value and the scheduled roll-off of tax abatements in the Airport Development Economic Area (Blackthorn) TIF.

One of the major focuses for the City continues to be the need to diversify its revenue streams. This is necessary to reduce the dependency on general property taxes and to ensure that a broad-base of users, including nonresidents, share in the funding of basic city services. Currently the City's

property taxpayers carry a disproportionate share of the cost of public safety (police & fire services) and general government functions (elected officials, Legal Department and Administration and Finance Department). Approximately 71% of the General Fund's 2005 total revenue was derived from property taxes. The public safety and general government functions constituted approximately 91% of the General Fund's 2005 total expenditures. South Bend, like many other cities, has public safety at the top of its priority list. In order to shift part of the financial burden for these services away from the City's homeowners/property owners, new sources of revenue need to be identified. In an attempt to accomplish this, two types of income taxes have been enacted to shift this financial tax burden.

- **Economic Development Income Tax (EDIT)** - This tax was first enacted as of July 1, 1995 at the rate of one tenth of one percent (0.1%) of City residents' (and some nonresidents') adjusted gross income, which generated \$1,382,670 and \$1,466,029 for the City of South Bend in 1996 and 1997, respectively. The City's Common Council and the St. Joseph County Council passed respective ordinances that increased the rate to two tenths of one percent (0.2%), which effectively doubled the City's distribution beginning in 1998. The City received \$5,462,867, \$3,689,202, \$3,448,688 and \$3,464,152 of EDIT distributions in 2002, 2003, 2004 and 2005 respectively, and is anticipating the receipt of \$3.4 million from this tax in 2006. Both of the local option income taxes (EDIT and COIT) are collected and administered by the Indiana Department of State Revenue. The EDIT distribution is then remitted to the county, which then allocates these tax receipts between the county and the cities and towns in the county based on the proportionate amounts of property tax levy for each unit. The City's portion of the total county's EDIT ranged from 35.6% to 38.2% over the last four years as the proportionate property tax levies have changed. The EDIT rate will remain at the current level (0.2%) unless further action is taken by the respective councils. The EDIT rate can legally be raised to four tenths of one percent (0.4%).
- **County Option Income Tax (COIT)** - The City and County Councils enacted this tax effective July 1, 1997 at a rate of two tenths of one percent (0.2%) with an increase of one tenth of one percent (0.1%) per year during the next four years. In 2002 the rate was set to its legal limit of six tenths of one percent (0.6%). The City would not have supported the new County Option Income Tax if it had not been accompanied by a tandem ordinance, which established an additional 6% homestead credit for property taxpayers. This additional homestead credit increased to 7% in 1999 and to 8% in 2000 (where it will remain at this level). Thus, as a result of the passage of this new tax, City property taxpayers were provided relief through a reduction in their property tax bills while the City was provided with an additional source of revenue that will eventually slow the growth of future property tax rate increases. The City received \$9,531,190 in 2002, \$8,015,302 in 2003, \$7,001,198 in 2004 and \$5,695,618 in 2005. The City is anticipating the receipt of \$5.5 million from this tax in 2006. In 2002 a one-time adjustment of \$2,318,375 for conservative distribution estimates in the early years of the tax was transferred. These countywide taxes are allocated (net of homestead credits) between all taxing units within the county based on the proportionate amounts of property tax levy for each taxing unit.

As mentioned earlier, the City is always looking for other sources of revenue that would reduce its reliance on property taxes. A viable source of revenue is from user fees and/or charges for services currently being performed. It is the City's desire to establish all user charges and fees at a level closely related to the full cost of providing the services while taking into consideration similar charges/fees being levied by other public and private providers. The City recalculates, on an annual basis, the full costs of activities supported by user fees (including the Parks Department programs and EMS ambulance services among others) to identify the impact of inflation and other cost increases. It then revises user fees accordingly. As a result, overall charges for services and user fee revenues are anticipated to increase in line with annual operating and capital budgets.

General Government Expenditures - The City breaks its general government expenditures into six categories: general government, public safety, highways and streets, health and welfare, culture and recreation, and economic development. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, park funds, TIF Airport and COIT which are considered major funds. Data for the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City of South Bend maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains seven individual enterprise funds. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expense and changes in fund net assets for the Water Utility, Wastewater Utility and Century Center, which are considered major funds. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City of South Bend uses internal service funds to account for its self funded liability insurance program, employee benefits program and central services (a department that accounts for the expenses related to fuel, vehicle repairs and various other services and supplies provided to City departments on a cost-reimbursement basis). Because these services predominantly benefit governmental rather than business- type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City's fiduciary duties are accounted for in both Trust and Agency Funds. The primary trust funds are the Police and Fire Pension Funds (explained below). The Agency Fund is for payroll and related employee deductions.

Pension Trust Fund Operations - Most City employees are covered by the Public Employees Retirement Fund and the 1977 Police Officers' and Firefighters' Pension Fund, both administered by the State of Indiana. However, certain police officers and firefighters hired before May 1, 1977, who did not opt into the 1977 fund, continue to be members of the 1925 Police Pension Fund and the 1937 Firefighters' Pension Fund. These two funds are administered by the City. This group of police officers and firefighters will continue to decline in the future, both as a total number and as a percentage of total payroll of both the police and fire departments and of the City as a whole.

The 1925 and 1937 Plans are funded through a combination of property taxes levied by the City and distributions from the State Pension Relief Fund. As a result of the requirements of the state statute that created these funds, the City is legally prevented from funding them in any other way than a "pay-as-you-go" basis. As of January of 2005, the City received an actuarial survey on these funds to provide the proper disclosures required by generally accepted accounting principles. This information is included in the following section.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with non-major funds, internal service funds and fiduciary funds are presented immediately after the basic financial statements. Also included are budget comparisons for governmental funds other than the General Fund and the Park and Recreation Fund, a major special revenue fund.

Government-wide Financial Analysis

The financial analysis will focus on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$190,401,407, a decrease from 2004 by \$3.8 million. The majority of this decrease can be attributed to a reduction of user fee revenue in the Business-Type Activities. Effective in 2006 both Water and Sewer rates will be increased to help remediate this problem and increase available cash balances. By far the largest portion of the City's net assets (68 percent) reflects its investment in capital assets (e.g. land, roads, storm sewers, water and sewer systems, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens, and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of South Bend's Net Assets
Table 1**

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$135,859,344	\$146,134,848	\$35,393,136	\$31,884,533	\$171,252,480	178,019,381
Capital assets (net)	112,635,198	124,443,931	157,790,563	152,993,751	270,425,761	277,437,682
Total assets	248,494,542	270,578,779	193,183,699	184,878,284	441,678,241	455,457,063
Long-term liabilities outstanding	163,133,137	191,148,556	62,695,870	59,761,198	225,829,007	250,909,754
Other liabilities	16,760,834	10,557,060	4,847,108	3,588,842	21,607,942	14,145,902
Total liabilities	179,893,971	201,705,616	67,542,978	63,350,040	247,436,949	265,055,656
Net assets:						
Invested in capital assets, net of related debt	7,383,902	35,777,247	93,370,899	94,833,960	100,745,801	130,611,207
Restricted	1,966,388	6,138,257	13,254,447	17,942,700	15,220,835	24,080,957
Unrestricted	59,250,281	26,957,659	19,015,375	8,751,584	78,265,656	35,709,243
Total net assets	<u>\$68,600,571</u>	<u>\$68,873,163</u>	<u>\$125,640,721</u>	<u>\$121,528,244</u>	<u>\$194,241,292</u>	<u>\$190,401,407</u>

At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The net assets for government activities decreased by \$1.8 from \$70.6 million in 2004 to \$68.8 million in 2005. Part of this decrease is attributable to a reclassification of the parking garage net book value previously recorded in business-type activity. The business-

type net assets activities decreased by \$2.0 million, from (\$123.5) million in 2004 to (\$121.5) million in 2005. This decrease is due to revenue increases that are not keeping up with utility operating costs. This trend is expected to change with the planned rate changes that will take effect as explained earlier.

City of South Bend's Changes in Net Assets
Table 2

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues:						
Program Revenues:						
Charges for services	9,343,194	6,823,577	36,530,823	35,764,874	45,874,017	42,588,451
Operating grants and contributions	10,718,149	12,916,362	1,165,243	1,282,780	11,883,392	14,199,142
Capital grants and contributions	10,326,795	9,447,723	118,953	1,479,581	10,445,748	10,927,304
General Revenues:						
Property taxes	62,279,784	72,743,697	0	0	62,279,784	72,743,697
Other taxes	11,483,254	10,510,375	0	0	11,483,254	10,510,375
Grants and contributions not restricted to specific programs	5,133,838	5,160,298	0	0	5,133,838	5,160,298
Other Revenues	2,259,320	14,333,639	362,676	2,736,481	2,621,996	17,070,120
Total Revenues	111,544,334	131,935,671	38,177,695	41,263,716	149,722,029	173,199,387
Expenses:						
General government	17,523,559	15,033,018	0	0	17,523,559	15,033,018
Public safety	45,799,395	72,450,941	0	0	45,799,395	72,450,941
Highways and streets	9,855,890	9,010,971	0	0	9,855,890	9,010,971
Health and welfare	102,314	75,352	0	0	102,314	75,352
Culture and recreation	13,689,893	8,840,970	0	0	13,689,893	8,840,970
Economic Development	18,102,343	22,436,802	0	0	18,102,343	22,436,802
Interest on long-term debt	6,209,012	5,943,021	0	0	6,209,012	5,943,021
Water	0	0	12,275,029	12,447,141	12,275,029	12,447,141
Wastewater	0	0	16,125,258	18,452,785	16,125,258	18,452,785
Civic center	0	0	3,592,627	3,478,359	3,592,627	3,478,359

Building department	0	0	1,134,986	1,047,007	1,134,986	1,047,007
Parking	0	0	1,739,235	1,165,502	1,739,235	1,165,502
Solid waste	0	0	4,015,831	4,920,464	4,015,831	4,920,464
Golf course	0	0	1,778,107	1,736,939	1,778,107	1,736,939
Total expenses	111,282,406	133,791,075	40,661,073	43,248,197	151,943,479	177,039,272
Changes in net assets before transfers	261,928	(1,855,404)	(2,483,378)	(1,984,481)	(2,221,450)	(3,839,885)
Transfers	14,873	33,589	(14,873)	(33,589)	0	0
Change in net assets	276,801	(1,821,815)	(2,498,251)	(2,018,070)	(2,221,450)	(3,839,885)
Beginning net assets (restated)	70,418,177	70,694,978	126,044,565	123,546,314	196,462,742	194,241,292
Ending net assets	70,694,978	68,873,163	123,546,314	121,528,244	194,241,292	190,401,407

Governmental Activities

Governmental activities net assets decreased by \$(1.8) million. Part of this decrease is due to revenues increasing by 20.3 million or 18.3%. Conversely, expenses increased by \$22.5 million or 20.2%. The majority of the revenue increase is due the increase in property taxes and on one time revenue distribution. The increases in expenses are due to public safety personnel increases along with conservative increase in capital investments related to parks, streets and infrastructure. Also, the City experienced increased costs related to insurance costs.

Business-type Activities

Business-type activities had a decrease in changes of net assets of (\$2) million in 2005. The majority of the decrease is due to an income loss in the Wastewater and the Waterworks departments. The Wastewater department has needed to invest in major capital upgrades to both their facility and infrastructure. In 2006 new rates will go into effect that will help reduce the operational deficit as well as invest in the needed capital for both Water Works as well as Wastewater.

Financial Analysis of the Governments' Funds

As noted earlier, the City of South Bend uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. The purpose of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$122,001,560. Of this amount, \$72,921,470 (60 percent) is unreserved fund balance, which is available for spending at the City's discretion. The majority of this unreserved fund balance is for major capital projects that have been designated by the City Council in the subsequent year's expenditures. The remainder of the fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18,162,422, a decrease of \$1,493,602. This is primarily due to higher expenditures combined with lower revenues on general funds.

The park and recreation unreserved fund balance saw an increase of \$149,585. The major reason for this increase is due to higher overall revenues as well as expenditures that had normal increases from the prior year. Since the Park fund is a recipient of property taxes, it has also experienced the problems that have been chronicled earlier.

The TIF Airport and COIT funds are used to account for major capital construction. The unreserved fund balances changes increased \$4 million and decreased (2.1) million respectively. These changes are due to the construction of multi-year projects.

Individual fund data for each of the non-major governmental funds is provided in the form of the combining statements in the Supplemental Information portion.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains seven individual enterprise funds. The basic proprietary fund financial statements can be found later in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The basic fiduciary funds financial statements can be found later in this report.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for its general fund. The final budget was greater than the original budget by \$5,365,442. An amended original budget can be explained by either an encumbrance rollover or a current year budget overrun. The general fund budget is reviewed throughout the year and revised as needed with the approval of the City Council. At the end of the fiscal year the actual expenditures are projected and the budget is amended to prevent any budget overruns. The City tries to work within its original budget by increasing categories that will exceed budget while decreasing other categories to cover these overruns. If this transferring will not cover these expenditures then the City must appropriate from its fund balance.

Of the \$5,365,442, \$4.5 million was to amend the original budget to account for a capital project that the City as well as other participants will be cost sharing on. The remainder was prior year encumbrances that rolled over and were added to the original budget.

The actual revenues are \$4,563,641 over budget and expenditures are \$2,989,572 under budget. The majority of \$4.5 million can be explained by the one time reimbursement. The under spending of the expenditures can be partially attributed to the fact that the City budgets at full staff and not all positions were filled in 2005. Also, a major capital project was not completed in 2005. In all, this saving provides evidence that the City's budget has been prepared on a conservative basis and provided adequate resources to fund services provided. All cities have limited resources and, thus, limited numbers of programs and services that can be provided. We are proud to say that we have done well in terms of maintaining a solid, financially sound organization by spending within our means.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities at December 31, 2005 amounts to \$277,437,682 (net of accumulated depreciation). This investment in capital assets includes land, buildings, roads, improvements, service lines, automobiles and equipment, and street lights. A detailed note of these capital assets can be found in the Notes to the Basic Financial Statements (Note III C).

Major capital asset additions during the current fiscal year include the following:

- Relocation of Park Maintenance Facility.
- Major road renovation at \$1.75 million.
- New vehicles added to fleet at a cost of \$1.2 million.

- Expansion of workout facility at recreation center \$920 thousand.
- Paving Program at \$1.8 million.
- Upgrade to water wells at a cost of \$250 thousand.

City of South Bend's Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Capital assets not being depreciated:						
Land	\$11,564,931	\$11,564,931	\$2,656,367	\$3,020,575	\$14,212,298	\$14,585,506
Construction in Progress	15,141,413	6,214,193	2,837,643	3,938,589	17,979,056	10,152,782
Total capital assets not being depreciated	26,706,344	17,779,124	5,494,010	6,959,164	32,200,354	24,738,288
Capital assets being depreciated:						
Building	79,263,073	102,625,262	95,973,045	92,513,376	175,236,118	195,138,638
Improvements other than buildings	8,190,617	8,713,737	86,802,058	88,019,697	94,992,675	96,733,434
Machinery & equipment	36,880,723	37,623,047	43,427,108	43,446,609	80,307,831	81,069,656
Roads	2,101,485	2,101,485	0	0	2,101,485	2,101,485
Totals	126,435,898	151,063,531	226,202,211	223,979,682	352,638,109	375,043,213
Less accumulated depreciation for:						
Buildings	19,102,238	20,866,539	29,879,152	30,768,132	48,981,390	51,634,671
Improvements other than buildings	3,985,236	4,489,950	17,554,984	19,158,662	21,540,220	23,648,612
Machinery & equipment	17,367,908	18,890,331	26,471,522	28,018,301	43,839,430	46,908,632
Roads	51,662	151,904	0	0	51,662	151,904
Totals	40,507,044	44,398,724	73,905,658	77,945,095	114,412,702	122,343,819
Total capital assets, being depreciated, net	85,928,854	106,664,807	152,296,553	146,034,587	238,225,407	252,699,394
Total activity capital assets, net	\$112,635,198	\$124,443,931	\$157,790,563	\$152,993,751	\$270,425,761	\$277,437,682

Debt Administration. At December 31, 2005, the City had a number of debt issues outstanding. These issues included \$320,000 of general obligation bonds, \$84,225,000 of revenue bonds payable from governmental funds, \$35,990,000 of revenue bonds payable from enterprise funds, \$28,994,057 of first mortgage bonds payable from governmental funds and \$1,015,980 of first mortgage bonds payable from enterprise funds. Under the Indiana Constitution and state statute, the City's general obligation bonded debt issuances are subject to a legal limitation based upon 2% of total assessed value of real and personal property. Since Indiana's assessment statutes call for an

assessed valuation of one-third of cost less depreciation, its general obligation debt limitation is one of the most conservative in the United States.

The City's debt decreased by a net of \$2.8 million from the prior year. This net decrease was due to the issuance of one mortgage and one revenue type bond payable from governmental activities and payment of principal.

A detailed listing of this debt can be found in the Notes to the Basic Financial Statements (Note III G). A calculation of the City's legal debt limitation can be found in the statistical section of this document.

Economic Factors and Next Year's Budgets and Rates

As noted earlier, property taxes are the City's largest source of revenue. Under current legislation all Indiana cities assessed values are based on market values. Under this method some properties are still being re-assessed to reflect the changes in values. This process as well as the overwhelming amount of appeals is still affecting the amount of property taxes received by the City. Due to these current changes, the percentage increase the City is anticipating in 2005 will be less than in previous years.

The new sewer and water rates enacted will take effect in 2006. These rates will continue to be revised to assure that the municipal water and sewer system has sufficient revenue to cover operating and capital expenses.

Many major capital projects are slated for construction in 2006. Part of the list would include downtown development which includes a new condo complex, building demolition and development, water and sewer infrastructure upgrades and the continuation of major road enhancements.

Requests for Information

This financial report is designed to provide a general overview of the City of South Bend's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Controller's Office, 227 W. Jefferson, 14 fl, South Bend, IN 46601.

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2005

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 97,024,680	\$ 5,794,201	\$ 102,818,881
Cash with fiscal agent	288,614	-	288,614
Receivables (net of allowances for uncollectibles):			
Interest	120,223	859	121,082
Taxes	9,410,125	-	9,410,125
Accounts	2,042,231	2,104,238	4,146,469
Intergovernmental	1,336,692	-	1,336,692
Loans	11,077,905	-	11,077,905
Internal balances	2,331,792	(2,331,792)	-
Inventories	954,041	428,557	1,382,598
Prepaid expense	44,957	-	44,957
Deferred debits	1,301,074	6,349,265	7,650,339
Restricted assets:			
Cash and cash equivalents	6,390,766	18,580,858	24,971,614
Investments	1,776,565	841,974	2,618,539
Interest receivable	753	-	753
Taxes receivable	269,683	-	269,683
Accounts receivable	-	116,373	116,373
Intergovernmental receivable	6,022	-	6,022
Capital assets:			
Land and construction in progress	17,779,124	6,959,164	24,738,288
Other capital assets, net of depreciation	106,664,807	146,034,587	252,699,394
Property held for resale	11,621,133	-	11,621,133
Net pension asset	137,602	-	137,602
Total assets	270,578,779	184,878,284	455,457,063

The notes to the financial statements are an integral part of this statement.

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
December 31, 2005
(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	3,646,188	752,689	4,398,877
Accrued payroll and withholdings payable	981,501	205,124	1,186,625
Unearned revenue	-	109,375	109,375
Contracts payable	1,595,229	-	1,595,229
Taxes payable	21,223	53,993	75,216
Customer deposits	972,184	108,905	1,081,089
Accrued interest payable	1,091,142	6,362	1,097,504
Estimate of unfilled claims	853,215	-	853,215
Other current payables	69,009	-	69,009
Payable from restricted assets:			
Accounts payable	-	536,502	536,502
Contracts payable	-	343,790	343,790
Customer deposits	-	1,275,895	1,275,895
Accrued interest payable	1,327,369	196,207	1,523,576
Noncurrent liabilities:			
Due within one year:			
General obligation bonds payable (net of discounts or premiums)	318,153	-	318,153
Mortgage bonds payable	1,656,833	43,665	1,700,598
Compensated absences	3,297,602	592,823	3,890,425
Revenue bonds payable	3,540,000	1,625,000	5,165,000
Capital lease obligations	740,870	390,833	1,131,703
Notes and loans payable	1,028,647	1,316,500	2,345,147
Due in more than one year:			
Mortgage bonds payable (net of discounts or premiums)	27,810,998	960,102	28,771,100
Compensated absences	1,358,701	-	1,358,701
Revenue bonds payable (net of discounts or premiums)	79,946,778	34,140,978	114,087,756
Capital lease obligations	2,713,757	1,319,200	4,032,957
Notes and loans payable	8,511,124	19,343,364	27,854,488
Unamortized gain on sale/leaseback	-	28,733	28,733
Net pension obligation	60,224,993	-	60,224,993
Total liabilities	201,705,616	63,350,040	265,055,656
Net Assets			
Invested in capital assets, net of related debt	35,777,247	94,833,960	130,611,207
Restricted for:			
Debt service	6,138,257	5,550,758	11,689,015
Capital outlay	-	12,391,942	12,391,942
Unrestricted	26,957,659	8,751,584	35,709,243
Total net assets	\$ 68,873,163	\$ 121,528,244	\$ 190,401,407

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 15,033,018	\$ 148,150	\$ 6,422,141	\$ (8,462,727)	\$ -	\$ (8,462,727)
Public safety	72,450,941	2,239,368	146,711	(67,883,256)	-	(67,883,256)
Highways and streets	9,010,971	135,313	6,476,274	(2,399,384)	-	(2,399,384)
Economic development	22,436,802	516,570	5,196,789	(16,595,532)	-	(16,595,532)
Health and welfare	75,352	-	-	(75,352)	-	(75,352)
Culture and recreation	8,840,970	3,784,176	1,096,588	(3,244,141)	-	(3,244,141)
Interest on long-term debt	5,943,021	-	-	(5,943,021)	-	(5,943,021)
Total governmental activities	133,791,075	6,823,577	12,916,362	(104,603,413)	-	(104,603,413)
Business-type activities:						
Water	12,447,141	12,130,549	-	-	1,162,989	1,162,989
Wastewater	18,452,785	14,830,607	-	-	(3,622,178)	(3,622,178)
Civic Center	3,478,369	1,604,352	-	-	(591,227)	(591,227)
Building department	1,047,007	1,125,312	-	-	78,305	78,305
Parking	1,165,502	763,581	-	-	(401,921)	(401,921)
Solid waste	4,920,464	3,764,229	-	-	(1,156,235)	(1,156,235)
Golf course	1,736,939	1,546,244	-	-	(190,695)	(190,695)
Total business-type activities	43,248,197	35,764,874	1,282,780	-	(4,720,962)	(4,720,962)
Total primary government	\$ 177,039,272	\$ 42,588,451	\$ 14,199,142	\$ (104,603,413)	\$ (4,720,962)	\$ (109,324,375)
General revenues:						
Property taxes				72,743,697	-	72,743,697
County option income tax				5,695,618	-	5,695,618
Economic development income tax				3,464,152	-	3,464,152
Professional sports development tax				385,553	-	385,553
Community revitalization enhancement district tax				965,052	-	965,052
Grants and contributions not restricted to specific programs				5,160,298	-	5,160,298
Unrestricted investment earnings				3,543,469	745,966	4,289,435
Other				10,790,170	1,990,515	12,780,685
Transfers				33,589	(33,589)	-
Total general revenues and transfers				102,781,598	2,702,892	105,484,490
Change in net assets				(1,821,815)	(2,018,070)	(3,839,885)
Net assets - beginning				70,694,978	123,546,314	194,241,292
Net assets - ending				\$ 68,873,163	\$ 121,528,244	\$ 190,401,407

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

Assets	General	Park and Recreation	TIF Airport	COIT	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 28,726,625	\$ 1,955,399	\$ 13,710,466	\$ 7,295,240	\$ 48,090,374	\$ 99,778,104
Cash with fiscal agent	250,000	-	-	-	38,614	288,614
Investments	-	-	-	-	1,776,565	1,776,565
Receivables (net of allowances for uncollectibles):						
Interest	109,163	-	-	-	-	109,163
Taxes	6,720,122	1,157,720	421,169	-	10,760	9,679,808
Accounts	397,961	16,583	-	24	568,019	982,587
Intergovernmental	451,153	25,851	-	-	841,731	1,318,735
Loans	-	-	-	-	11,077,905	11,077,905
Interfund receivable:						
Interfund loans	1,518,507	-	1,439,500	-	-	2,958,007
Interfund services provided and used	126,288	-	-	48,093	6,496	180,877
Inventories	-	51,990	-	-	-	51,990
Advances to other funds	1,750,000	-	-	-	506,448	2,256,448
Property held for resale	240,432	-	3,294,367	1,905,129	6,181,205	11,621,133
Total assets	\$ 40,290,251	\$ 3,207,543	\$ 18,865,502	\$ 9,248,486	\$ 70,478,914	\$ 142,090,696
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,867,918	\$ 224,564	\$ 26,307	\$ 233,926	\$ 687,984	\$ 3,040,699
Accrued payroll and withholdings payable	746,481	104,066	-	-	90,877	941,424
Contracts payable	2,132	-	22,638	106,642	1,463,817	1,595,229
Interfund payable:						
Interfund services provided and used	430,978	35,765	-	8,960	89,798	565,501
Taxes payable	11,182	10,041	-	-	-	21,223
Customer deposits	815,954	6,049	-	-	-	822,003
Deferred revenue	7,667,412	1,183,571	421,169	-	1,355,267	10,627,419
Performance deposits payable	4,000	-	53,602	-	92,579	150,181
Other current payables	-	-	-	-	69,009	69,009
Advances from other funds	-	-	-	-	2,256,448	2,256,448
Total liabilities	11,546,057	1,564,056	523,716	349,528	6,105,779	20,089,136
Fund balances:						
Reserved for:						
Encumbrances	8,591,307	9,643	484,855	4,798,952	4,161,029	18,045,786
Noncurrent loans receivable	-	-	-	-	9,452,090	9,452,090
Inventory	-	51,990	-	-	-	51,990
Property held for resale	240,432	-	3,294,367	1,905,129	4,658,855	10,098,783
Debt service	-	-	-	-	9,681,441	9,681,441
Advances to other funds	1,750,000	-	-	-	-	1,750,000
Unreserved, reported in:						
General fund	18,162,455	-	-	-	-	18,162,455
Special revenue funds	-	1,581,854	-	-	12,552,517	14,134,371
Capital projects funds	-	-	14,562,564	2,194,877	23,867,203	40,624,644
Total fund balances	28,744,194	1,643,487	18,341,786	8,898,958	64,373,135	122,001,560
Total liabilities and fund balances	\$ 40,290,251	\$ 3,207,543	\$ 18,865,502	\$ 9,248,486	\$ 70,478,914	

The notes to the financial statements are an integral part of this statement.

Continued on next page

CITY OF SOUTH BEND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	122,961,049
Prepaid expenses (\$29,809) and Deferred debits (\$1,301,074) are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,330,883
Net pension assets (not recognized in governmental funds)	137,602
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	5,265,615
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred revenues	10,627,419
Bonds payable	(113,539,057)
Less: Deferred charge on refunding (to be amortized as interest expense)	358,641
Less: Issuance discount or (premium) (to be amortized as interest expense)	(92,446)
Capital leases payable	(3,454,627)
Notes payable	(9,539,771)
Net pension obligation	(60,224,993)
Short-term liabilities that are not recognized in governmental funds until due:	
Accrued interest payable	(2,418,511)
Compensated absences payable	(4,540,201)
Net assets of governmental activities	<u>\$ 68,873,163</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Park and Recreation	TIF Airport	COIT	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes						
Property	\$ 46,525,806	\$ 7,880,213	\$ 6,862,057	\$ -	\$ 6,871,593	\$ 68,139,669
County option income	-	-	-	5,895,618	-	5,895,618
County economic development income	-	-	-	-	3,464,152	3,464,152
Professional sports development tax	-	-	-	-	385,553	385,553
Community revitalization enhancement district	-	-	-	-	965,052	965,052
Licenses and permits	222,199	-	-	-	24,581	246,780
Intergovernmental	5,088,035	617,581	-	-	12,960,212	18,665,828
Charges for services	9,022,062	2,707,531	-	-	3,564,186	15,293,779
Fines and forfeits	203,462	-	-	-	42,218	245,680
Interest	867,991	15,942	295,946	180,200	2,183,390	3,543,468
Donations	4,749	-	-	-	545,801	550,550
Sale of property	1,000,000	-	-	-	-	1,000,000
Other	2,437,157	127,216	125,911	1,505,717	5,045,004	9,241,005
Total revenues	65,371,461	11,348,483	7,283,914	7,381,535	36,051,742	127,437,135
Expenditures:						
Current:						
General government	7,488,805	-	-	-	339,470	7,828,275
Public safety	47,860,257	-	-	-	1,150,388	49,010,645
Highways and streets	3,257,783	-	-	-	6,616,498	9,874,281
Economic development	183,131	-	-	-	7,348,519	7,531,650
Health and welfare	75,000	-	-	-	-	75,000
Culture and recreation	1,678,132	10,920,828	-	-	1,627,503	14,226,463
Debt service:						
Principal	-	155,991	485,000	468,683	5,955,213	7,074,887
Interest and fiscal charges	-	18,655	596,447	357,451	4,635,427	5,607,980
Debt issuance costs	-	-	-	-	185,406	185,406
Capital outlay	-	-	-	-	-	-
General government	-	-	-	5,687,955	2,725,053	8,413,008
Public safety	-	-	-	-	4,857,753	4,857,753
Economic development	-	-	1,321,939	-	13,572,236	14,894,175
Culture and recreation	-	-	-	-	1,134,117	1,134,117
Total expenditures	60,543,108	11,095,474	2,413,386	6,514,089	50,147,583	130,713,640
Excess (deficiency) of revenues over (under) expenditures	4,828,353	253,009	4,870,528	867,446	(14,095,841)	(3,276,505)
Other financing sources (uses):						
Transfers in	250,000	-	41,348	9,033	8,032,361	8,332,742
Transfers out	(886,130)	(99,895)	(383,921)	(2,504,000)	(4,445,207)	(8,299,153)
Discount on debt issuance	-	-	-	-	(69,989)	(69,989)
Debt issuance	2,510,278	-	-	-	7,582,900	10,093,178
Total other financing sources and uses	1,894,148	(99,895)	(342,573)	(2,494,967)	11,100,065	10,056,778
Net change in fund balances	6,722,501	153,114	4,527,955	(1,627,521)	(2,995,776)	6,780,273
Fund balances - beginning	22,021,693	1,490,373	13,813,831	10,526,479	67,368,911	115,221,287
Fund balances - ending	\$ 28,744,194	\$ 1,643,487	\$ 18,341,786	\$ 8,898,958	\$ 64,373,135	\$ 122,001,560

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Changes in Fund Balances)	\$ 6,780,273
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay	14,780,830
Depreciation expense	(4,850,893)
Loss on disposal of assets	(135,756)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,498,536
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Long-term debt incurred during the current period:	
Bonds	(6,405,000)
Discount on bonds	69,989
Loans	(2,510,278)
Capital leases	(1,177,900)
Principal debt payments:	
Bonds	5,461,232
Loans	919,375
Capital leases	694,280
Amortization expenses	55,196
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Prepaid expense	21,791
Interest expense	(204,831)
Compensated absences	(840,545)
Change in net pension asset and net pension obligation	(19,663,534)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	<u>685,420</u>
Change in net assets of governmental activities (statement of activities)	<u>\$ (1,821,815)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

Assets	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Fund
Current assets:						
Cash and cash equivalents	\$ 1,301,926	\$ 3,516,125	\$ 47,005	\$ 929,145	\$ 5,794,201	\$ 3,637,332
Interest receivable	-	-	-	859	859	1,053
Accounts receivable (net of allowance)	658,276	894,392	34,754	302,905	1,890,327	1,059,644
Accounts receivable - other	5,692	55,288	148,630	4,301	213,911	-
Interfund receivables:						
Interfund services provided and used	7,759	183,513	1,354	-	192,626	450,824
Intergovernmental receivable	-	-	-	-	-	23,979
Inventories	214,385	204,576	-	9,596	428,557	902,051
Prepaid items	-	-	-	-	-	15,148
Restricted assets:						
Cash, cash equivalents and investments:						
Repair fund	29,878	88,482	-	-	118,360	-
Customer deposits	1,267,867	-	-	-	1,267,867	-
Revenue bond covenant accounts	1,549,523	2,905,493	-	1,272,649	5,727,665	-
Capital outlay accounts	15,222	11,306,026	102,809	42,909	11,466,966	-
Capital outlay accounts - Investments	-	-	841,974	-	841,974	-
Accounts receivable	59,904	56,469	-	-	116,373	-
Total current assets	5,110,432	19,210,364	1,176,526	2,562,364	28,059,686	6,090,031
Noncurrent assets:						
Deferred charges						
Unamortized debt issue costs	436,236	255,481	-	31,071	722,788	-
Unamortized loss on sale/leaseback	-	-	-	5,626,477	5,626,477	-
Total deferred charges	436,236	255,481	-	5,657,548	6,349,265	-
Capital assets:						
Land and construction in progress	776,345	3,899,396	702,934	1,580,489	6,959,164	-
Other capital assets (net of accumulated depreciation)	55,274,837	71,170,391	13,379,643	6,209,716	146,034,587	1,482,882
Total capital assets	56,051,182	75,069,787	14,082,577	7,790,205	152,993,751	1,482,882
Total noncurrent assets	56,487,418	75,325,268	14,082,577	13,447,753	159,343,016	1,482,882
Total assets	61,597,850	94,535,632	15,259,103	16,010,117	187,402,702	7,572,913

The notes to the financial statements are an integral part of this statement.

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005
(Continued)

Liabilities	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Funds
Current liabilities:						
Accounts payable	151,860	339,059	45,790	215,980	752,689	605,489
Interfund payables:						
Interfund loans	-	-	-	-	-	-
Interfund services provided and used	25,938	115,429	2,936	2,266,815	2,266,815	691,192
Accrued payroll payable	65,211	70,722	27,069	113,300	257,603	1,223
Compensated absences	194,875	201,714	85,053	42,122	205,124	40,077
Unearned revenue	-	-	109,375	111,181	592,823	116,102
Taxes payable	53,620	-	373	-	109,375	-
Accrued interest payable	-	-	6,362	-	53,993	-
Notes and loans payable	-	-	121,500	-	121,500	-
Customer deposits	-	-	108,905	-	108,905	-
Estimate of unfilled claims	-	-	-	-	-	-
Current liabilities payable from restricted assets:						
Accounts payable	139,399	397,103	-	-	536,502	-
Contracts and retainage payable	5,480	338,310	-	-	343,790	-
Customer deposits	1,275,895	-	-	-	1,275,895	-
Mortgage bonds payable	-	43,665	-	-	43,665	-
Revenue bonds payable	-	1,180,000	-	445,000	1,625,000	-
Capital leases payable	-	42,356	-	348,477	390,833	-
Notes and loans payable	-	1,195,000	-	-	1,195,000	-
Accrued interest payable	-	111,611	-	84,596	196,207	-
Total current liabilities	1,912,278	4,034,989	507,363	3,627,471	10,082,081	2,307,298
Noncurrent liabilities:						
Mortgage bonds payable (net of unamortized discount)	-	960,102	-	-	960,102	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	18,259,066	12,280,733	-	3,601,179	34,140,978	-
Capital leases payable	-	88,795	-	1,230,405	1,319,200	-
Notes and loans payable	2,131,932	16,768,807	442,625	-	19,343,364	-
Unamortized gain on sale/leaseback	-	-	-	28,733	28,733	-
Total noncurrent liabilities	20,390,998	30,098,437	442,625	4,860,317	55,792,377	-
Total liabilities	22,303,276	34,133,406	949,988	8,487,788	65,874,458	2,307,298
Net Assets						
Invested in capital assets, net of related debt	35,660,184	42,510,329	13,568,452	3,094,995	94,833,960	1,482,882
Restricted for debt service	1,549,523	2,793,873	-	1,207,362	5,550,758	-
Restricted for capital outlay	9,742	11,384,508	944,783	42,909	12,391,942	-
Unrestricted	2,076,125	3,703,516	(204,120)	3,177,063	8,751,584	3,782,733
Total net assets	\$ 39,294,574	\$ 60,402,226	\$ 14,309,115	\$ 7,522,329	\$ 121,528,244	\$ 5,265,615

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Enterprise Funds	Other Funds	
Operating revenues:						
Metered revenue:						
Residential	\$ 6,371,114	\$ 8,197,431	\$ -	\$ -	\$ -	\$ -
Commercial	2,841,781	3,204,278	-	-	-	-
Industrial	473,296	2,580,901	-	-	-	-
Fire protection revenue	1,555,603	-	-	-	-	-
Penalties	70,567	152,854	-	-	-	-
Convention fees	-	-	1,367,598	-	-	-
Licenses and permits	-	-	-	1,125,312	-	-
Parking fees	-	-	236,754	763,581	-	-
Solid waste fees	-	-	-	3,764,229	-	-
Golf course fees	-	-	-	1,546,244	-	-
Employee/employer contributions	-	-	-	-	-	13,663,086
Charges for sales and services	-	-	-	-	-	2,691,084
Other	614,118	504,498	195,614	111,175	-	-
Total operating revenues	11,926,479	14,639,963	1,799,966	7,310,541	35,676,949	16,354,170
Operating expenses:						
Source of supply and expense/collection system expense -						
operations and maintenance	934,665	3,339,376	-	-	-	-
Transmission and distribution/pumping expense -						
operations and maintenance	2,941,194	-	-	-	-	-
Treatment and disposal expense - operations and maintenance	683,886	6,316,842	-	-	-	-
Operations and maintenance	-	-	-	6,797,460	-	2,665,025
Customer accounts	1,443,217	72,429	2,575	-	-	-
Administration and general	2,822,766	3,002,434	2,892,365	868,952	-	666,168
Insurance claims and premiums	-	-	-	-	-	12,035,989
Depreciation	1,645,381	3,443,543	548,235	361,650	-	79,855
Total operating expenses	10,471,109	16,174,624	3,443,175	8,028,062	38,116,970	15,447,037
Operating income (loss)	1,455,370	(1,534,661)	(1,643,209)	(717,521)	(2,440,021)	907,133

The notes to the financial statements are an integral part of this statement.

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005
(Continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Fund
Nonoperating revenues (expenses):						
Interest and investment revenue	143,999	522,937	27,114	51,916	745,966	110,457
Hotel/motel tax	-	-	1,282,780	-	1,282,780	-
Repair fund revenues	818,188	695,143	-	-	1,513,331	-
Management fees	482,132	-	-	-	482,132	-
Miscellaneous revenue	17,977	-	65,000	-	82,977	-
Interest expense	(1,049,722)	(1,223,713)	(25,426)	(277,175)	(2,576,036)	-
Amortization expense	(43,562)	(25,792)	-	(564,675)	(634,029)	-
Repair fund expenses	(733,091)	(613,008)	-	-	(1,346,099)	-
Loss by health insurance administrator	-	-	-	-	-	(333,570)
Gain (loss) on disposition of assets	(149,657)	(415,648)	(9,758)	-	(575,063)	1,400
Total nonoperating revenue (expenses)	(513,736)	(1,060,081)	1,339,710	(789,934)	(1,024,041)	(221,713)
Income (loss) before contributions and transfers	941,634	(2,594,742)	(303,499)	(1,507,455)	(3,464,062)	685,420
Capital contributions	1,479,581	-	-	-	1,479,581	-
Transfers out	-	-	-	(33,589)	(33,589)	-
Change in net assets	2,421,215	(2,594,742)	(303,499)	(1,541,044)	(2,018,070)	685,420
Total net assets - beginning	36,873,369	62,996,968	14,612,614	9,063,373	123,546,314	4,580,195
Total net assets - ending	\$ 39,294,574	\$ 60,402,226	\$ 14,309,115	\$ 7,522,329	\$ 121,528,244	\$ 5,265,615

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ 12,701,151	\$ 15,260,488	\$ 1,856,584	\$ 7,244,488	\$ 37,062,711	\$ 1,919,399
Receipts from interfund services provided	584,785	68,191	-	124,214	777,190	14,313,158
Payments to suppliers	(5,495,182)	(6,004,973)	(971,225)	(3,684,298)	(16,155,678)	(14,490,493)
Payments to employees	(3,001,463)	(4,182,991)	(1,533,383)	(1,901,235)	(10,619,072)	(2,017,316)
Payments for interfund services used	(1,059,924)	(2,616,913)	(476,611)	(976,272)	(5,129,720)	(810,919)
Net cash provided (used) by operating activities	3,729,367	2,523,802	(1,124,635)	806,897	5,935,431	(1,086,171)
Cash flows from noncapital financing activities:						
Advances from other funds	-	-	-	1,000,796	1,000,796	-
Repayments of advances from other funds	-	-	-	(766,222)	(766,222)	-
Interfund loan	-	-	-	-	-	6,334,868
Interfund loan repaid	-	-	-	-	-	(6,031,628)
Proceeds from short term loan	-	-	125,000	-	125,000	-
Principal paid on short term loan	-	-	(75,000)	-	(75,000)	-
Hotel/motel tax	-	-	1,282,780	-	1,282,780	-
Transfer to other funds	-	-	-	(33,589)	(33,589)	-
Net cash provided by noncapital financing activities	-	-	1,332,780	200,985	1,533,765	303,240
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(310,611)	(2,267,988)	-	(18,534)	(2,597,133)	1,400
Principal paid on capital debt	(2,367,082)	(2,398,487)	(131,251)	(769,158)	(5,665,978)	-
Interest paid on capital debt	(1,026,711)	(1,186,608)	(23,137)	(243,403)	(2,479,859)	-
Proceeds from sale of capital assets	-	10,183	-	-	10,183	-
Net cash provided (used) by capital and related financing activities	(3,704,404)	(5,842,900)	(154,388)	(1,031,095)	(10,732,787)	1,400
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	-	4,743	-	4,743	-
Purchase of investments	-	-	(26,137)	-	(26,137)	-
Interest received	153,431	565,193	27,114	57,672	803,410	118,774
Net cash provided by investing activities	153,431	565,193	5,720	57,672	782,016	118,774
Net increase in cash and cash equivalents	178,394	(2,753,905)	59,477	34,459	(2,481,575)	(662,757)
Cash and cash equivalents, January 1						
(Including \$140,277, \$1,244,351, \$5,693,329 and \$15,499,227 for the repair fund, customer deposits, revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	3,986,022	20,570,031	90,337	2,210,244	26,856,634	4,300,089
Cash and cash equivalents, December 31						
(Including \$118,360, \$1,267,867, \$5,727,665 and \$11,466,966 for the repair fund, customer deposits, revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	\$ 4,164,416	\$ 17,816,126	\$ 149,814	\$ 2,244,703	\$ 24,375,059	\$ 3,637,332

The notes to the financial statements are an integral part of this statement.

Continued on next page

CITY OF SOUTH BEND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2005
(Continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Century Center	Other Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,455,370	\$ (1,534,661)	\$ (1,643,209)	\$ (717,521)	\$ (2,440,021)	\$ 907,133
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	1,645,361	3,443,543	548,235	361,650	5,988,809	79,855
Bad debt expense	74,008	72,429	2,550	41,751	190,738	-
Nonoperating revenues (expenses)	585,206	82,135	65,000	-	732,341	(333,570)
Lease proceeds used for purchase of non-capital equipment	-	-	-	1,024,984	1,024,984	-
(Increase) decrease in assets:						
Accounts receivable	(60,902)	(66,379)	7,119	(48,141)	(168,303)	(1,059,644)
Accounts receivable - other	1,666	(29,186)	(4,947)	374	(32,093)	-
Intergovernmental receivables	-	-	-	-	-	3,368
Interfund receivables	3,078	16,709	(1,009)	15,015	33,793	(122,382)
Inventories	(48,375)	4,024	-	20,483	(23,868)	(235,240)
Prepaid items	-	-	-	-	-	13,668
Increase (decrease) in liabilities:						
Customer deposits	26,388	-	(15,386)	-	11,002	-
Accounts payable	21,997	1,286,934	(1,521)	4,015	1,291,425	453,340
Contracts payable	-	(789,845)	-	-	(789,845)	-
Accrued payroll payable	3,951	10,302	446	10,749	25,448	2,829
Interfund loan	-	-	-	79,443	79,443	454
Interfund services provided and used	8,383	31,698	277	-	40,358	-
Compensated absence payable	(6,139)	16,099	5,508	14,095	29,563	(161)
Taxes payable	19,355	-	(198)	-	19,157	-
Deferred revenue	-	-	(87,500)	-	(87,500)	-
Estimated unfilled claims	-	-	-	-	-	(795,821)
Total adjustments	2,273,997	4,058,463	518,574	1,524,418	8,375,452	(1,993,304)
Net cash provided (used) by operating activities	\$ 3,729,367	\$ 2,523,802	\$ (1,124,635)	\$ 806,897	\$ 5,935,431	\$ (1,086,171)
Noncash investing, capital and financing activities:						
Capital assets contributed	\$ 1,479,581	\$ -	\$ -	\$ -	\$ 1,479,581	\$ -
Capital assets acquired by lease	-	-	-	546,621	546,621	-
Capital assets acquired by loans	-	296,175	-	-	296,175	-
Purchase of capital assets on account	5,481	158,458	-	-	163,939	-
Capital asset disposals	559,037	506,811	204,683	-	1,270,531	11,700

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
Cash and cash equivalents	\$ 2,390,582	\$ 37,794	\$ 1,135,414
Receivables:			
Taxes	408,912	-	-
Intergovernmental	9,130	-	-
Total receivables	418,042	-	-
Total assets	2,808,624	37,794	1,135,414
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	87	-	-
Accrued payroll and withholdings payable	-	-	1,135,414
Total current liabilities	87	-	1,135,414
Noncurrent liabilities:			
DROP payable - due within one year	412,108	-	-
DROP payable - long-term	1,763,415	-	-
Total noncurrent liabilities	2,175,523	-	-
Total liabilities	2,175,610	-	1,135,414
<u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	633,014	-	-
Individuals, organizations, and other governments	-	37,794	-
Total net assets	\$ 633,014	\$ 37,794	

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	Pension Trust Funds	Private-Purpose Trust Funds
<u>Additions</u>		
Contributions:		
Employer	\$ 8,412,422	\$ -
Plan members	101,827	-
Other	6,570	-
Total contributions	8,520,819	-
Investment income:		
Interest	238,481	1,032
Total additions	8,759,300	1,032
<u>Deductions</u>		
Benefits	9,840,855	-
Administrative expense	40,807	-
Total deductions	9,881,662	-
Changes in net assets	(1,122,362)	1,032
Net assets - beginning	1,755,376	36,762
Net assets - ending	\$ 633,014	\$ 37,794

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of South Bend (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, sewer, and urban redevelopment and housing.

The accompanying financial statements present the activities of the primary government and its significant component units. The component units discussed below are included in the primary government's reporting entity because of the significance of their operational or financial relationships with the primary government. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government.

Blended Component Units

The South Bend Redevelopment Authority, a legally separate entity, is a significant blended component unit of the primary government. The Redevelopment Authority's sole purpose is to finance and construct land, buildings and other improvements for use by the primary government. Financial statements for the Redevelopment Authority are available at the City Controller's Office, City of South Bend, 227 West Jefferson, 1400 County-City Building, South Bend, Indiana, 46601.

The Morris Entertainment, Inc., is also a legally separate nonprofit corporation, and is a significant blended component unit of the primary government. The Morris Entertainment, Inc., main purpose is to solicit donations for the restoration and renovation of the City's Morris Civic Auditorium and the City's Palais Royale Ballroom. Financial statements for the Morris Entertainment, Inc., are available at 211 North Michigan, South Bend, Indiana, 46601.

The South Bend Building Corporation, Inc., is also a legally separate nonprofit corporation, and is a significant blended component unit of the primary government. The Building Corporation's main purpose is to finance construction and remodeling of City buildings for the City of South Bend. Debt of the Building Corporation is repaid through lease payments from the City. Financial statements for the Building Corporation are available at the City Controller's Office.

Related Organizations

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments. The Mayor and the Common Council appoint the board members of the South Bend Housing Authority, South Bend Public Transportation Corporation (TRANSPO), Urban Enterprise Association, and the Special Funds Board of Managers.

During 2005, the Special Funds Board of Managers provided \$1,282,780 to the City's Century Center and \$467,198 to the City's College Football Hall of Fame, to finance operating costs.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and pension trust and private purpose trust fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The park and recreation fund is used to account for the operation of the City park system. Financing is provided by a specific annual property tax levy to the extent that user fees and miscellaneous revenues are insufficient to provide such financing.

The tax incremental financing (TIF) airport fund is used to account for public improvement projects in the airport economic development area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.

The county option income tax (COIT) fund is used to account for the City's share of the county option income tax. Expenditures include land improvements and purchases of motor equipment.

The primary government reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's wastewater treatment plant, pumping stations and collection systems.

The Century Center fund accounts for the operation and maintenance of the City's convention center. Financing is received from various rental agreements and a subsidy from the St. Joseph County's Special Funds Board of Managers.

Additionally, the primary government reports the following fund types:

The internal service fund accounts for liability coverage, employee medical coverage, and central services such as fuel, vehicle repairs and various supplies provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefits cemetery maintenance.

Agency funds account for assets held by the primary government as an agent for employee payroll, pension, and payroll deductions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and payments of administrative costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the primary government to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Interfund Transactions and Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are usually distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to unearned revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 50,000	Straight-line	20 to 30 years
Equipment	5,000	Straight-line	5 to 20 years
Roads – collectors and residential	3,000,000	Straight-line	40 to 50 years
Water collection systems	500	Straight-line	6 to 100 years
Wastewater distribution and collection systems	1,000	Straight-line	6 to 100 years

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City has not implemented retroactive reporting of its infrastructure as of December 31, 2005.

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

7. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of two-thirds of a day for each completed month of service. Sick leave may accumulate to a maximum of 90 days for policemen, 100 days for firemen, 60 days for teamsters, and 65 days for all other employees. Accumulated sick leave is paid to firemen, to policemen, and to teamsters, upon termination of employment, at one-half their current pay rate, at a rate of one-half the corporal's rate of pay up to a maximum of 60 days, and \$25 for each accumulated sick leave day, respectively, at the time of retirement.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 9 days to 28 days per year based upon the number of years of service, employee classification, and hire date. Vacation leave does not accumulate from year to year, except in instances where special cases are approved. Employees earn vacation leave during the year to be used the following year. Unused vacation leave is paid to employees upon termination of employment.
- c. Personal Leave – primary government policemen earn personal leave at the rate of 7 days per year. Personal leave does not accumulate from year to year. Unused personal leave may be rolled into sick leave. City employees under the teamster contract can use their sick leave for personal leave.
- d. Compensatory Leave – Policemen and firemen have accumulated overtime-compensatory leave for a variety of reasons.

Unused vacation leave for all City employees, and unused sick leave and compensatory leave of firemen, policemen and teamsters is accrued when incurred and reported as a liability in the statement of net assets. Amounts due and payable at year end are included in the proprietary fund statements. No liability is recognized in the governmental fund statements.

8. D.R.O.P. Payable

Pursuant to Indiana Statute, certain City policemen and firemen are eligible for the deferred retirement option plan (D.R.O.P). Active policemen and firemen who are eligible to retire before December 31, 2007, can declare their retirement date and then receive a lump sum at retirement based on pension factors. The lump sum amounts, for those who have declared, are recognized as D.R.O.P. payable. The liability is recognized net of a 50% reduction which is the minimum that the State will reimburse in the following year.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end. Annual budgets are adopted for the following governmental funds:

General

Major governmental funds:

Special revenue fund - park and recreation

Capital projects fund - county option income tax (COIT)

Nonmajor governmental funds:

Special revenue funds - motor vehicle highway, recreation nonreverting, community development, local road and street, human rights federal, special events, college football hall of fame

Debt service funds - redevelopment bond-studebaker, college football hall of fame debt service

Capital projects funds - emergency medical services, park nonreverting capital, cumulative capital development, cumulative capital improvement, economic development income tax

On or before August 31, the City Controller submits to the Common Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Common Council to obtain taxpayer comments. In September of each year, the Common Council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City Controller receives approval of the Indiana Department of Local Government Finance.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. The Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund or within the Park and Recreation Fund, or within any other nonmajor governmental fund which required legally, approved budgets.

B. Deficit Fund Equity

At December 31, 2005, the following funds reported deficits in fund equity, which are violations of State statute:

	<u>Deficit</u>
Governmental funds:	
Football Hall of Fame Operating	\$ (1,748,899)
Enterprise funds (net assets):	
Blackthorn Golf Course	(988,666)

Fund equity deficits arose primarily from expenditures or expenses exceeding revenues due to the underestimate of current requirements. It is anticipated that these deficits will be repaid from future revenues.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2005, the bank balances held at Wells Fargo Bank NA and at Deutsche Bank Trust Company Americas in the amounts of \$3,593,033 and \$452,160 were collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-City's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the City had the following investments:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government	Investment Maturities (in Years)		
	Market Value	Less Than 1	1-2	More Than 2
U.S. Treasuries and Securities	<u>\$ 1,776,565</u>	<u>\$ 1,776,565</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of or interest in an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of or interest in an investment company or investment trust must be rated as AAA, or its equivalent, by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the City held investments in U.S. treasuries and securities in the amount of \$1,776,565. These investments were held by the counterparty's trust department or agent but not in the City's name.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. U.S. Treasury securities are guaranteed by the full faith and credit of the U.S. government and are recognized as the safest investment available.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk. The City does not have any foreign currency.

B. Receivables

The following receivable accounts have timing and credit characteristics different from typical accounts receivable.

As of December 31, 2005, City funds recognized the following loan receivable balances. The schedule shows the total receivable and the portion that is not due within one year. These loans were for economic development projects.

<u>Fund</u>	<u>Receivable</u>	<u>Noncurrent</u>
Special revenue funds:		
Economic Development State Grants	\$ 4,089,987	\$ 3,890,831
Community Development	1,972,735	1,206,286
Industrial Revolving	<u>5,015,183</u>	<u>4,354,973</u>
Totals	<u>\$ 11,077,905</u>	<u>\$ 9,452,090</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,564,931	\$ -	\$ -	\$ 11,564,931
Construction in progress	15,141,413	2,180,396	11,107,616	6,214,193
Total capital assets, not being depreciated	26,706,344	2,180,396	11,107,616	17,779,124
Capital assets, being depreciated:				
Buildings	81,357,480	21,267,782	-	102,625,262
Improvements other than buildings	8,190,617	523,120	-	8,713,737
Machinery and equipment	36,880,723	1,905,448	1,163,124	37,623,047
Roads being depreciated	2,101,485	-	-	2,101,485
Totals	128,530,305	23,696,350	1,163,124	151,063,531
Less accumulated depreciation for:				
Buildings	19,102,238	1,764,301	-	20,866,539
Improvements other than buildings	3,985,236	504,714	-	4,489,950
Machinery and equipment	17,367,908	2,561,491	1,039,068	18,890,331
Roads being depreciated	51,662	100,242	-	151,904
Totals	40,507,044	4,930,748	1,039,068	44,398,724
Total capital assets, being depreciated, net	88,023,261	18,765,602	124,056	106,664,807
Total governmental activities capital assets, net	<u>\$ 114,729,605</u>	<u>\$ 20,945,998</u>	<u>\$ 11,231,672</u>	<u>\$ 124,443,931</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,020,575	\$ -	\$ -	\$ 3,020,575
Construction in progress	2,837,643	1,357,822	256,876	3,938,589
Total capital assets, not being depreciated	5,858,218	1,357,822	256,876	6,959,164
Capital assets, being depreciated:				
Buildings	92,600,964	-	87,588	92,513,376
Improvements other than buildings	86,437,850	2,065,721	483,874	88,019,697
Machinery and equipment	43,427,108	718,570	699,069	43,446,609
Totals	222,465,922	2,784,291	1,270,531	223,979,682

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities (continued):				
Capital assets, being				
depreciated (continued):				
Less accumulated depreciation for:				
Buildings	28,601,477	2,241,271	74,616	30,768,132
Improvements other than buildings	17,554,984	1,622,676	18,998	19,158,662
Machinery and equipment	<u>26,471,522</u>	<u>2,134,862</u>	<u>588,083</u>	<u>28,018,301</u>
Totals	<u>72,627,983</u>	<u>5,998,809</u>	<u>681,697</u>	<u>77,945,095</u>
Total capital assets, being				
depreciated, net	<u>149,837,939</u>	<u>(3,214,518)</u>	<u>588,834</u>	<u>146,034,587</u>
Total business-type activities				
capital assets, net	<u>\$ 155,696,157</u>	<u>\$ (1,856,696)</u>	<u>\$ 845,710</u>	<u>\$ 152,993,751</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 231,933
Public safety	1,730,911
Highways and streets, including depreciation of general infrastructure assets	929,160
Health and welfare	11,564
Culture and recreation	1,919,446
Economic development	27,879
Internal service funds*	<u>79,855</u>
Total depreciation expense - governmental activities	<u>\$ 4,930,748</u>
Business-type activities:	
Water	\$ 1,645,381
Wastewater	3,443,543
Civic center	548,235
Building permits	16,956
Parking garage	82,116
Solid waste	111,411
Golf course	<u>151,167</u>
Total depreciation expense - business-type activities	<u>\$ 5,998,809</u>

*Capital assets held by the primary government's internal service funds are charged to the various functions based on their usage of the assets.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Governmental activities:				
Riverwalk Sidewalk repair	\$ 293,431	\$ 293,431	\$ -	\$ -
Morris Civic Marque	683,475	675,475	8,000	-
St. Joseph Riverdam improvements	2,546,155	2,546,155	-	-
Riverside Bikeway/Walkway	446,642	446,642	-	-
Chapin Street Road construction	1,250,000	851,118	398,882	-
United Drive relocation	500,000	438,352	61,648	-
O'Brien Fitness Center	920,000	702,508	217,492	-
Fire Station equipment building	380,300	260,512	119,788	-
Total - governmental activities	<u>\$ 7,020,003</u>	<u>\$ 6,214,193</u>	<u>\$ 805,810</u>	<u>\$ -</u>
Business-type activities:				
Water Utility:				
Cleveland Well Field	\$ 300,315	\$ 300,315	\$ -	\$ -
Ireland Road	48,456	48,456	-	-
Cleveland Well Field/Patricia Lane	49,150	49,150	-	-
River Crossing	5,480	5,480	-	-
Wastewater Utility:				
Homeland/Calvert infill housing	266,232	266,232	-	-
Edison Park separation	219,500	146,950	72,550	-
Donald/Fox St. storm sewer ext	30,100	27,503	2,597	-
Cedar/Rockne/Madison	71,600	24,141	47,459	-
Model City detention basin	13,500	13,395	105	-
Harter Heights separation	72,330	66,646	5,684	-
Fellows/Johnson drainage study	35,500	34,864	636	-
Kensington/Crest Manor drainage	138,098	56,582	81,516	-
Managed wetland CSO water	44,100	6,294	37,806	-
Memorial Hospital/Lafayette drainage	221,600	108,085	113,515	-
Angela River Crossing No. 5	218,011	83,471	134,540	-
Douglas Road sewer extension	327,191	20,320	306,871	-
Peppers/Ironwood sewer	151,415	123,878	27,537	-
Backwater gate replacement - design	50,400	30,725	19,675	-
Charles Street sewer - engineering	142,201	142,201	-	-
College/Orange - design	13,500	-	13,500	-
Ireland/Miami/Chippewa Basin	46,315	46,315	-	-
Darden sewer extension - engineering	10,900	10,355	545	-
Secondary improvement	2,327,231	2,327,231	-	-
Totals - business-type activities	<u>\$ 4,803,125</u>	<u>\$ 3,938,589</u>	<u>\$ 864,536</u>	<u>\$ -</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2005, is as follows:

Receivable	Payable									
	Governmental Funds				Enterprise Funds					
	General	Park and Recreation	COIT	Nonmajor	Water	Wastewater	Century Center	Nonmajor Enterprise	Internal Service	Total
Governmental funds:										
General	\$ -	\$ 3,202	\$ 8,960	\$ 44,230	\$ 3,421	\$ 598	\$ 1,301	\$ 891,229	\$ 691,854	\$ 1,644,795
COIT	-	-	-	-	-	48,093	-	-	-	48,093
TIF - Airport	-	-	-	-	-	-	-	1,439,500	-	1,439,500
Nonmajor governmental	-	-	-	6,496	-	-	-	-	-	6,496
Enterprise funds:										
Water	3,367	1,678	-	-	-	935	1,097	179	503	7,759
Wastewater	162,747	-	-	20,766	-	-	-	-	-	183,513
Century Center	1,354	-	-	-	-	-	-	-	-	1,354
Internal service	263,510	30,885	-	18,306	22,517	65,803	538	49,207	58	450,824
Totals	<u>\$ 430,978</u>	<u>\$ 35,765</u>	<u>\$ 8,960</u>	<u>\$ 89,798</u>	<u>\$ 25,938</u>	<u>\$ 115,429</u>	<u>\$ 2,936</u>	<u>\$ 2,380,115</u>	<u>\$ 692,415</u>	<u>\$ 3,782,334</u>

Interfund balances resulted from the time lag between the dates that (1) Interfund loans are repaid, (2) Interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

2. Advances Between Funds

The advances included a loan balance due from the Hall of Fame Operating Fund, a nonmajor governmental fund, to the General Fund, \$1,750,000. The loan was made during the years from 1996 to 1999. This loan is to be repaid from excess operating revenues of the College Football Hall of Fame. No payment schedule has been established.

The advances also include a loan balance, \$506,448, due from the Economic Development State Grants Fund to the Industrial Revolving Fund, both nonmajor governmental funds. This loan was made during 2002 for an economic development project.

3. Interfund Transfers

Interfund transfers at December 31, 2005, were as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To				
	General Fund	COIT	TIF - Airport	Nonmajor Governmental	Total
General	\$ -	\$ -	\$ -	\$ 866,130	\$ 866,130
Park and recreation	-	-	-	99,895	99,895
COIT	-	-	-	2,504,000	2,504,000
TIF - Airport	-	-	-	383,921	383,921
Nonmajor governmental	250,000	9,033	7,759	4,178,415	4,445,207
Nonmajor enterprise	-	-	33,589	-	33,589
Totals	<u>\$ 250,000</u>	<u>\$ 9,033</u>	<u>\$ 41,348</u>	<u>\$ 8,032,361</u>	<u>\$ 8,332,742</u>

The primary government typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the general fund to the debt service fund for current-year debt service requirements.

F. Leases

1. Operating Leases

The primary government has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for golf cart global positioning systems, vehicles, copiers, and office space. Rental expenditures for these leases were \$275,492. The following is a schedule by years of future minimum rental payments as of December 31, 2005:

2006	\$ 288,401
2007	160,915
2008	64,376
2009	53,708
2010	<u>12,755</u>
Total	<u>\$ 580,155</u>

2. Capital Leases

The primary government has entered into various capital leases for various types of equipment, a softball complex, and a parking garage. The parking garage capital lease is being repaid from governmental funds. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2005, are as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Governmental Activities	Business-Type Activities
2006	\$ 889,595	\$ 443,482
2007	795,190	443,482
2008	630,988	443,482
2009	457,803	343,410
2010	328,901	171,705
2011-2015	<u>1,000,000</u>	<u>-</u>
Total minimum lease payments	4,102,477	1,845,561
Less amount representing interest	<u>647,850</u>	<u>135,528</u>
Present value of net minimum lease payments	<u>\$ 3,454,627</u>	<u>\$ 1,710,033</u>

Assets acquired through capital leases still in effect are as follows:

	Governmental Activities	Business-Type Activities
Buildings	\$ 1,940,044	\$ -
Improvements other than buildings	587,801	-
Machinery and equipment	<u>2,525,113</u>	<u>1,006,187</u> *
Totals	5,052,958	1,006,187
Accumulated depreciation	<u>842,196</u>	<u>95,937</u>
Totals	<u>\$ 4,210,762</u>	<u>\$ 910,250</u>

*Additional assets under capital leases totaling \$1,024,984, with individual costs less than the capital asset threshold of \$5,000, are not included in this amount.

G. Long-Term Liabilities

1. General Obligation Bonds

The primary government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the primary government. General obligation bonds currently outstanding at year end are as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding 12-31-05</u>
1997 Redevelopment District refunding	4.0% to 5.1%	<u>\$ 4,750,000</u>	<u>\$ 320,000</u>

General obligation bonds payable at December 31, 2005, includes \$1,847 unamortized bond discount.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ended December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	<u>\$ 320,000</u>	<u>\$ 8,160</u>

2. Mortgage Bonds

Mortgage Bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Issue</u>	<u>12-31-05</u>
<u>Governmental Activities</u>			
1999A Fire Station	5%	\$ 1,388,858	\$ 234,699
1999C O'Brien Center	5%	570,000	95,338
2001 Public Works Service Center	4.63% to 5.3%	8,112,250	7,244,020
2003 New Fire Station/Police renovations	2% to 5%	21,335,000	20,500,000
2005 Park Fitness Center renovations	3.61%	<u>920,000</u>	<u>920,000</u>
Total - governmental activities		<u>\$ 32,326,108</u>	<u>\$ 28,994,057</u>
<u>Business-Type Activities</u>			
2001 Public Works Service Center	4.63% to 5.3%	<u>\$ 1,137,750</u>	<u>\$ 1,015,980</u>

Mortgage bonds at year end include the following amounts of unamortized bond discount (premium):

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Balance at December 31	Unamortized Discount (Premium)	Adjusted Balance
<u>Governmental Activities</u>			
1999A Fire Station	\$ 234,699	\$ -	\$ 234,699
1999C O'Brien Center	95,338	-	95,338
2001 Public Works Service Center	7,244,020	62,870	7,181,150
2003 New Fire Station/Police renovations	20,500,000	(536,744)	21,036,744
2005 Park Fitness Center renovations	920,000	-	920,000
Total - governmental activities	<u>\$ 28,994,057</u>	<u>\$ (473,874)</u>	<u>\$ 29,467,931</u>

Business-Type Activities

2001 Public Works Service Center	<u>\$ 1,015,980</u>	<u>\$ 12,213</u>	<u>\$ 1,003,767</u>
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Mortgage debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 1,656,933	\$ 1,279,737	\$ 43,665	\$ 50,112
2007	1,379,285	1,212,009	45,510	48,050
2008	1,423,375	1,165,421	47,970	45,859
2009	1,473,317	1,116,990	49,815	43,537
2010	1,522,892	1,064,546	52,275	41,112
2011-2015	7,499,880	4,397,942	300,120	164,209
2016-2020	9,403,780	2,485,410	386,220	77,062
2021-2025	4,634,595	321,206	90,405	2,396
Totals	<u>\$ 28,994,057</u>	<u>\$ 13,043,261</u>	<u>\$ 1,015,980</u>	<u>\$ 472,337</u>

3. Revenue Bonds

The primary government issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Original Issue	Outstanding 12-31-05
<u>Governmental Activities</u>			
Tax Incremental Financing Revenue Bonds:			
2002 TJX Special Taxing District	3.0% to 4.75%	\$ 6,620,000	\$ 5,850,000
2003 Airport TIF	1.6% to 5.20%	14,420,000	13,680,000
2003 SB Downtown Central Development TIF	1.6% to 5.20%	19,795,000	19,590,000
2005 Southside TIF	6.1% to 6.75%	5,485,000	5,485,000
Redevelopment Authority Revenue Bonds:			
1996 Central Development Refinancing	4% to 5.85%	3,790,000	2,935,000
1998 Morris Performing Arts Center	4.5% to 5.1%	13,300,000	9,915,000
2000 Hall of Fame Refinancing	4.45% to 6.0%	15,370,000	12,565,000
2001 Century Center Refinancing	2.9% to 5.0%	6,825,000	5,545,000
CEDIT Revenue Bonds:			
1997 CEDIT Bonds	3.9% to 7.25%	11,870,000	8,660,000
Total - governmental activities		<u>\$ 97,475,000</u>	<u>\$ 84,225,000</u>

Business-Type Activities

1993 Water Works Improvement	3.4% to 5.1%	\$ 5,100,000	\$ 1,490,000
1997 Water Works Improvement	4.35% to 4.75%	22,500,000	11,420,000
2002 Water Works Improvement	3.5% to 5.0%	5,975,000	5,375,000
2001 Sewage Works Refinancing	3.0% to 4.25%	5,240,000	2,440,000
2004 Sewage Works Improvements	2.5% to 4.75%	11,425,000	11,035,000
1998 Blackthorn Golf Course Refinancing	3.25% to 4.8%	6,135,000	4,230,000
Total - business-type activities		<u>\$ 56,375,000</u>	<u>\$ 35,990,000</u>

Purpose	Balance at December 31	Unamortized Discount (Premium)	Unamortized Loss (Gain) on Refunding	Adjusted Balance
<u>Governmental Activities</u>				
Tax Incremental Financing Revenue Bonds:				
2002 TJX Special Taxing District	\$ 5,850,000	\$ 56,015	\$ -	\$ 5,793,985
2003 Airport TIF	13,680,000	-	-	13,680,000
2003 SB Downtown Central Development TIF	19,590,000	-	-	19,590,000
2005 Southside TIF	5,485,000	68,398	-	5,416,602
Redevelopment Authority Revenue Bonds:				
1996 Central Development Area Refinancing	2,935,000	4,657	51,653	2,878,690
1998 Morris Performing Arts Center	9,915,000	80,500	-	9,834,500
2000 Hall of Fame Refinancing	12,565,000	43,143	(12,557)	12,534,414
2001 Century Center Refinancing	5,545,000	42,738	319,545	5,182,717
CEDIT Revenue Bonds:				
1997 CEDIT Bonds	8,660,000	84,130	-	8,575,870
Total - governmental activities	<u>\$ 84,225,000</u>	<u>\$ 379,581</u>	<u>\$ 358,641</u>	<u>\$ 83,486,778</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Balance at December 31	Unamortized Discount (Premium)	Unamortized Loss (Gain) on Refunding	Adjusted Balance
<u>Business-Type Activities</u>				
1993 Water Works Improvement	\$ 1,490,000	\$ 1,794	\$ -	1,488,206
1997 Water Works Improvement	11,420,000	14,552	-	11,405,448
2002 Water Works Improvement	5,375,000	9,588	-	5,365,412
2001 Sewage Works Refinancing	2,440,000	(29,742)	72,221	2,397,521
2004 Sewage Works Improvement	11,035,000	(28,212)	-	11,063,212
1998 Blackthorn Golf Course Refinancing	4,230,000	32,102	151,719	4,046,179
Total - business-type activities	<u>\$ 35,990,000</u>	<u>\$ 82</u>	<u>\$ 223,940</u>	<u>\$ 35,765,978</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 3,540,000	\$ 4,140,205	\$ 1,625,000	\$ 1,152,042
2007	3,690,000	3,987,255	4,035,000	1,466,208
2008	4,015,000	3,818,510	4,240,000	1,289,334
2009	4,380,000	3,631,892	3,570,000	1,101,823
2010	4,780,000	3,420,849	3,170,000	952,618
2011-2015	27,745,000	13,315,378	9,885,000	2,985,438
2016-2020	22,110,000	6,287,222	4,970,000	1,753,913
2021-2025	13,065,000	1,922,873	4,495,000	488,689
2026-2030	900,000	61,763	-	-
Totals	<u>\$ 84,225,000</u>	<u>\$ 40,585,947</u>	<u>\$ 35,990,000</u>	<u>\$ 11,190,065</u>

4. Notes and Loans Payable

The primary government has entered into various notes/loans. Annual debt service requirements to maturity for the notes/loans are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 1,028,647	\$ 406,727	\$ 1,316,500	\$ 1,083,779
2007	941,820	364,590	1,427,122	1,041,952
2008	998,952	327,200	1,470,765	965,307
2009	996,143	286,298	1,509,514	886,234
2010	1,045,693	242,294	1,553,371	805,023
2011-2015	2,224,188	707,541	8,222,872	2,729,466
2016-2020	1,317,498	389,589	5,159,720	531,693
2021-2025	986,830	128,454	-	-
Totals	<u>\$ 9,539,771</u>	<u>\$ 2,852,693</u>	<u>\$ 20,659,864</u>	<u>\$ 8,043,454</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation	\$ 935,000	\$ -	\$ 615,000	\$ 320,000	\$ 320,000
Revenue	82,135,000	5,485,000	3,395,000	84,225,000	3,540,000
Mortgage	29,525,289	920,000	1,451,232	28,994,057	1,656,933
Total bonds payable	112,595,289	6,405,000	5,461,232	113,539,057	5,516,933
Notes and loans payable	7,948,868	2,510,278	919,375	9,539,771	1,028,647
Capital leases	2,971,007	1,177,900	694,280	3,454,627	740,870
Compensated absences	3,815,919	3,975,595	3,135,211	4,656,303	3,297,602
Net pension obligation	40,669,182	19,555,811	-	60,224,993	-
Total governmental activities long-term liabilities	<u>\$ 168,000,265</u>	<u>\$ 33,624,584</u>	<u>\$ 10,210,098</u>	<u>\$ 191,414,751</u>	<u>\$ 10,584,052</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 20,530,000	\$ -	\$ 2,245,000	\$ 18,285,000	\$ -
Wastewater Utility	14,625,000	-	1,150,000	13,475,000	1,180,000
Blackthorn Golf Course	4,660,000	-	430,000	4,230,000	445,000
Total revenue bonds payable	39,815,000	-	3,825,000	35,990,000	1,625,000
Mortgage bonds payable	1,058,415	-	42,435	1,015,980	43,665
Capital leases payable	520,389	1,571,605	381,961	1,710,033	390,833
Notes and loans payable	21,730,271	421,175	1,491,582	20,659,864	1,316,500
Total business-type activities long-term liabilities	<u>\$ 63,124,075</u>	<u>\$ 1,992,780</u>	<u>\$ 5,740,978</u>	<u>\$ 59,375,877</u>	<u>\$ 3,375,998</u>

Compensated absences for governmental activities typically have been liquidated from the general fund and special revenue funds. All of the December 31, 2005, business-type activities' compensated absences are due within one year.

H. Segment Information

The primary government issued revenue bonds to finance Blackthorn Golf Course improvements. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the Blackthorn Golf Course is presented below.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Total assets	<u>\$ 4,572,278</u>
Liabilities:	
Current liabilities	\$ 1,449,478
Current liabilities payable from restricted assets	510,287
Noncurrent liabilities	<u>3,601,179</u>
Total liabilities	<u>\$ 5,560,944</u>
Net assets:	
Invested in capital assets, net of related debt	\$ (970,449)
Restricted	1,207,362
Unrestricted	<u>(1,225,579)</u>
Total net assets	<u>\$ (988,666)</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	\$ 1,546,515
Depreciation expense	151,167
Other operating expenses	<u>1,357,045</u>
Operating income	38,303
Nonoperating revenues (expenses):	
Investment earnings	34,578
Interest expense	(224,392)
Amortization	(4,335)
Transfers	<u>(33,589)</u>
Change in net assets	(189,435)
Beginning net assets	<u>(799,231)</u>
Ending net assets	<u>\$ (988,666)</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 199,029
Noncapital financing activities	454,411
Capital and related financing activities	(653,639)
Investing activities	<u>38,424</u>
Net increase (decrease)	38,225
Beginning cash and cash equivalents	<u>1,413,347</u>
Ending cash and cash equivalents	<u>\$ 1,451,572</u>

I. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Cash, cash equivalents, and investments	
Repair fund	\$ 118,360
Customer deposits	1,267,867
Revenue bond covenant accounts	5,727,665
Capital outlay accounts	11,466,966
Capital outlay accounts - investments	841,974
Repair fund receivable	<u>116,373</u>
Total restricted assets	<u>\$ 19,539,205</u>

J. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government. The following schedule presents a summary of restated beginning balances. Prior period adjustments represent capital assets previously reported incorrectly in business-type activities.

Fund Type	Balance as Reported December 31, 2004	Prior Period Adjustments	Balance as Restated January 1, 2005
Governmental activities:			
Net Assets	<u>\$ 68,600,571</u>	<u>\$ 2,094,407</u>	<u>\$ 70,694,978</u>
Business-type activities:			
Net Assets	<u>\$ 125,640,721</u>	<u>\$ (2,094,407)</u>	<u>\$ 123,546,314</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Loss on Sale/Leaseback of Leighton Parking Garage

During 2000, the City completed construction of the Leighton Parking Garage and capitalized the cost of the garage, \$11,439,712, in the Parking Garage Fund, an enterprise fund. On December 1, 2000, the City sold the garage to the South Bend Transportation Company (TRANSPO) for \$3,000,000 as part of a sale/leaseback agreement. The proceeds were receipted into the County Option Income Tax Fund. This fund is also making the future lease payments to TRANSPO.

The present value of the lease, \$1,960,044, was the new basis for the parking garage. As part of this sale/leaseback, the Parking Garage Fund recognized a deferred loss of \$8,439,712, which is being amortized over the 15 year life of the lease.

L. Property Held For Resale

The City's Redevelopment Commission has purchased properties in blighted areas for redevelopment and subsequent resale. At December 31, 2005, the market value of these properties was not known. These properties are recognized as assets at cost in the funds that purchased the property.

IV. Other Information

A. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Liability Insurance

The primary government has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees, automobile liability, and comprehensive liability. The risk financing fund is accounted for in the Liability Insurance Premium Reserve Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$250,000 per year for job related illnesses or injuries to employees and \$50,000 per year for damage to and destruction of assets. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund based on a study of paid claims and based on the number of employees and percent of the total budget. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Changes in the balance of claim liabilities during the past two years are as follows:

	2004	2005
Unpaid claims, beginning of fiscal year	\$ 414,884	\$ 756,221
Incurred claims and changes in estimates	1,959,330	1,955,208
Claim payments	<u>1,617,993</u>	<u>2,323,227</u>
Unpaid claims, end of fiscal year	<u>\$ 756,221</u>	<u>\$ 388,202</u>

Group Health Insurance

The primary government has chosen to establish a risk financing fund for risks associated with medical benefits of employees and their covered dependents. The risk financing fund is accounted for in the Self Funded Employee Benefits Fund, an internal service fund, where assets are set aside for benefit costs. An excess policy through commercial insurance covers individual claims in excess of \$125,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund bases on the number of employees and estimated costs exceeding the employees' contributions. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

Changes in the balance of claim liabilities during the past two years are as follows:

	2004	2005
Unpaid claims, beginning of fiscal year	\$ 778,500	\$ 892,815
Incurred claims and changes in estimates	9,093,235	10,107,876
Claim payments	<u>8,978,920</u>	<u>10,186,370</u>
Unpaid claims, end of fiscal year	<u>\$ 892,815</u>	<u>\$ 814,321</u>

During 2005, the employee medical benefits' administrator, Healthcare Resources Group (HRG), failed to pay \$1,111,899 in health care claims for City employees. The City had paid HRG for the claims. HRG was purchased by another business that has filed bankruptcy. The City has been notified by the bankruptcy court that the court has received approximately 70% of the total claims and the City has recognized a receivable for this percent of the total claims. The remaining claims, \$333,570 have been recognized as a loss by the City. In the future, the City may receive more payments from the bankruptcy court. The City may also receive restitution from a pending criminal case.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Events

On February 8, 2006, the City issued \$2,440,000 tax incremental financing (TIF) bonds. The proceeds will be used to finance improvements in the southeast TIF area.

The City has set May 23, 2006, as the date to sell \$4,710,000 waterworks revenue bonds. The proceeds will be used to finance improvements to the water utility.

The City has also set May 23, 2006, as an anticipated bond sale date to sell \$7,630,000 sewage works revenue bonds. The proceeds will be used to finance improvements to the wastewater utility. This is the first of a series of bonds, with the total not to exceed \$56,380,000.

During 2005, the City approved a loan from the U.S. Department of Housing and Urban Development for \$9,180,000 to finance economic development activities. During March 2006, the City received \$500,000 as the first draw on the loan.

Also during 2005, the City approved the sale of real estate commonly called the Studebaker Stamping Plant, to the South Bend Transportation Company (TRANSCO). TRANSCO paid the City \$1,000,000 during 2005 and will pay the \$3,000,000 balance to the City after demolition and infrastructure improvements are completed (estimated late in 2007).

C. Contingent Liabilities

College Football Hall of Fame Operations

The City's General Fund has advanced a total of \$1,750,000 to the College Football Hall of Fame Fund in various amounts during the years from 1996 to 1999. The City has always recognized that these advances would be repaid from excess operating revenues of the Hall of Fame. No payment schedule has been established. Beginning with 1996, the first full year of operations, through 2000, the Hall of Fame financial statements show net losses ranging from \$521,345 to \$1,481,657.

During 2001, the City turned over the operations of the Hall of Fame to the National Football Foundation and College Football Hall of Fame, Inc. (NFF). The interim agreement authorizing the NFF to operate the Hall of Fame shows that NFF has contributed \$1,900,000 to cover operating deficits of the Hall of Fame during the period prior to December 31, 2000.

The interim agreement is in effect until December 31, 2005. At that time, the NFF can terminate their participation in the operations and the City shall reimburse the NFF the full amount of the NFF contributions towards operations. The reimbursement will be made in five annual installments beginning December 31, 2005. The interim agreement has been extended to May 15, 2006. If the NFF elects to continue their participation, then the City will resume operating the Hall of Fame as it had done from 1996 to 2001. The \$1,900,000 contingent liability to the NFF is not recognized on the financial statements.

Project Future

The Common Council approved Resolution 3037-02 in which the City pledges support to Project Future through the year 2006. Project Future promotes the City for economic development purposes. The City has committed \$110,000 for each year from 2003 through 2006 contingent upon the fiscal condition of the City.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Lawsuits

Several lawsuits are pending in which the City is involved. The City is in various court proceedings phases or settlement phase on lawsuits; the City Attorney estimates that the potential damages against the City may exceed \$2,300,000.

D. Conduit Debt Obligation

From time to time, the primary government has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2005, there were several series of industrial revenue bonds outstanding. The aggregate principal amount payable is not available to the City. During 2005, the City approved three series of industrial revenue bonds in the total amount of \$17,200,000.

E. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment healthcare benefits, as authorized by Indiana Code 5-10-8, to retired police officers and firefighters who reach normal retirement while working for the City. Currently, 91 retirees meet these eligibility requirements and are covered by the postemployment program. The retirees must pay the employee and employer assessments. During the year ended December 31, 2005, expenditures of \$825,468 were recognized for postemployment benefits.

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available. Therefore, the Net Pension Asset is considered an obligation of the primary government and is presented in the governmental activities of the financial statements and is not presented as an asset of the proprietary funds.

b. 1925 Police Officers' Pension Plan

Plan Description

The primary government contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The primary government's annual pension cost and related information as provided by the actuary is presented in this note. The Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from employer contributions to the fund.

c. 1937 Firefighters' Pension Plan

Plan Description

The primary government contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note. The Net Pension Obligation (NPO) is considered an obligation of the City and is reflected in the Statement of Net Assets. As provided by state statute, all administrative costs are paid from employer contributions to the fund.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 1,195,669	\$ 9,623,400	\$ 8,172,300
Interest on net pension obligation	(17,786)	1,878,700	1,720,500
Adjustment to annual required contribution	20,269	(3,282,200)	(3,005,700)
Annual pension cost	1,198,152	8,219,900	6,887,100
Contributions made	1,090,429	4,171,092	4,032,357
Increase in net pension obligation	107,723	4,048,808	2,854,743
Net pension obligation, beginning of year	(245,325)	27,832,919	25,488,523
Net pension obligation, end of year	\$ (137,602)	\$ 31,881,727	\$ 28,343,266

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.13%	917%	1,261%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 40 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period			
Amortization period (from date)	07-1-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75%/4%*	2.75%/4%*

* - 2.75% for converted members; 4% for nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 1,149,141	67%	\$ (264,711)
	06-30-04	940,596	98%	(245,325)
	06-30-05	1,198,152	116%	(137,602)
1925 Police Officers' Pension Plan	12-31-02	7,760,500	40%	24,076,968
	12-31-03	7,909,900	53%	27,832,919
	12-31-04	8,219,900	51%	31,881,727
1937 Firefighters' Pension Plan	12-31-02	6,995,800	43%	22,566,016
	12-31-03	6,903,600	58%	25,488,523
	12-31-04	6,887,100	59%	28,343,266

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	224	214
Terminated employees entitled to but not yet receiving benefits	-	-
Current active employees	12	7

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

d. Financial Statements for Defined Benefit Plans

Statements of Fiduciary Net Assets

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 842,625	\$ 1,547,957
Receivables:		
Taxes	193,485	215,427
Intergovernmental	<u>4,320</u>	<u>4,810</u>
Total assets	<u>1,040,430</u>	<u>1,768,194</u>

Liabilities

Accounts payable	87	-
Noncurrent liabilities:		
DROP payable - due within one year	153,198	258,910
DROP payable - long-term	<u>803,586</u>	<u>959,829</u>
Total liabilities	<u>956,871</u>	<u>1,218,739</u>

Net Assets

Held in trust for pension benefit obligations	<u>\$ 83,559</u>	<u>\$ 549,455</u>
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Statements of Changes in Fiduciary Net Assets:

Additions:

Contributions:		
Employer	\$ 4,275,696	\$ 4,136,726
Plan members	62,936	38,891
Other	<u>4,795</u>	<u>1,775</u>
Total contributions	4,343,427	4,177,392
Investment income:		
Interest	<u>116,105</u>	<u>122,376</u>
Total additions	<u>4,459,532</u>	<u>4,299,768</u>

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Statements of Changes in Fiduciary Net Assets (continued):

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
<u>Deductions:</u>		
Benefits and refunds paid to plan members and beneficiaries	5,262,782	4,578,073
Administrative expenses	<u>27,923</u>	<u>12,884</u>
Total deductions	<u>5,290,705</u>	<u>4,590,957</u>
Changes in net assets	(831,173)	(291,189)
Net assets - beginning	<u>914,732</u>	<u>840,644</u>
Net assets - ending	<u>\$ 83,559</u>	<u>\$ 549,455</u>

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The primary government contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF SOUTH BEND
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the primary government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the primary government are established by the Board of Trustees of PERF. The primary government's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$3,540,711, \$3,068,934, and \$2,873,958, respectively, equal to the required contributions for each year.

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund									
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)			
07-01-03	\$ 27,109,020	\$ 25,474,212	\$ 1,634,808	106%	\$ 23,774,118	7%			
07-01-04	27,133,131	27,746,346	(613,215)	98%	25,428,863	(2%)			
07-01-05	27,989,986	32,020,638	(4,030,652)	87%	26,377,310	(15%)			

1925 Police Officers' Pension Plan									
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)			
01-01-00	\$ 499,407	\$ 77,098,600	\$ (76,599,193)	0.65%	\$ 1,469,067	(5,214%)			
01-01-01	375,258	77,407,200	(77,031,942)	0.48%	1,385,633	(5,559%)			
01-01-02	3,060,517	77,938,200	(74,877,683)	3.93%	1,304,662	(5,739%)			
01-01-03	2,497,147	77,865,600	(75,368,453)	3.21%	1,125,183	(6,698%)			
01-01-04	1,969,813	80,550,800	(78,580,987)	2.45%	1,050,150	(7,455%)			
01-01-05	914,732	81,009,600	(80,094,868)	1.13%	1,048,933	(7,636%)			

1937 Firefighters' Pension Plan									
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)			
01-01-00	\$ 1,150,438	\$ 65,320,900	\$ (64,170,462)	1.76%	\$ 1,746,567	(3,674%)			
01-01-01	923,076	70,466,700	(69,543,624)	1.31%	1,536,650	(4,526%)			
01-01-02	2,821,371	70,084,800	(67,263,429)	4.03%	1,197,492	(5,617%)			
01-01-03	2,443,239	68,555,100	(66,111,861)	3.56%	930,833	(7,102%)			
01-01-04	2,057,175	67,862,200	(65,805,025)	3.03%	761,000	(8,593%)			
01-01-05	840,644	69,468,900	(68,628,256)	1.21%	648,183	(10,588%)			

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan			
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
12-31-99	\$ 7,213,500	39%	
12-31-00	7,911,100	46%	
12-31-01	8,210,600	64%	
12-31-02	8,548,000	36%	
12-31-03	8,996,100	46%	
12-31-04	9,623,400	43%	

1937 Firefighters' Pension Plan			
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
12-31-99	\$ 6,218,700	42%	
12-31-00	6,846,400	45%	
12-31-01	7,576,500	63%	
12-31-02	7,749,000	38%	
12-31-03	7,921,600	50%	
12-31-04	8,172,300	49%	

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005

General Fund				
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 47,678,892	\$ 46,737,040	\$ 44,999,550	\$ (1,737,490)
Licenses and permits	186,535	186,535	227,542	41,007
Intergovernmental	7,541,627	7,348,488	7,710,682	362,194
Charges for services	2,833,765	2,833,765	2,929,178	95,413
Fines and forfeits	195,500	195,500	203,482	7,962
Other	4,608,656	4,608,656	10,403,211	5,794,555
Total revenues	63,044,975	61,909,984	66,473,625	4,563,641

Expenditures:					
Current:					
General Government:					
Mayor					
Personal services	635,007	617,507	615,772	1,735	
Supplies	22,343	28,343	25,818	2,525	
Other services and charges	112,428	124,402	122,956	1,446	
Other uses	514	514	514	-	
City Clerk					
Personal services	239,206	243,206	242,266	940	
Supplies	8,600	8,600	6,169	2,431	
Other services and charges	54,958	52,754	35,459	17,295	
Other uses	209	209	209	-	
Common Council					
Personal services	218,483	218,483	197,161	21,322	
Supplies	4,553	4,553	2,193	2,360	
Other services and charges	119,194	310,455	101,090	209,365	
Other uses	1,038	1,038	1,038	-	
Controller					
Personal services	1,217,048	1,198,048	1,020,441	177,607	
Supplies	37,300	38,900	38,503	397	
Other services and charges	329,265	389,265	273,532	115,733	
Capital outlay	7,409,287	11,909,633	11,313,206	596,427	
Other uses	4,305	4,305	4,305	-	

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005
(Continued)

General Fund					Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final			
Expenditures (continued):					
Current (continued):					
General Government (continued):					
City Attorney					
Personal services	800,726	800,726	767,654		33,072
Supplies	15,543	20,377	19,040		1,337
Other services and charges	50,457	50,789	38,300		12,489
Other uses	265	265	265		-
Building Maintenance					
Personal services	305,384	301,184	269,771		31,413
Supplies	41,131	45,331	42,279		3,052
Other services and charges	324,963	325,566	170,184		155,382
Capital outlay	30,200	32,595	17,790		14,805
Other uses	1,903	1,903	1,903		-
Human Rights					
Personal services	246,242	243,042	240,476		2,566
Supplies	5,131	5,131	4,570		561
Other services and charges	33,655	36,855	28,118		8,737
Capital outlay	1,000	1,000	-		1,000
Other uses	141	141	141		-
Neighborhood Code Enforcement					
Personal services	883,699	877,699	861,234		16,465
Supplies	143,267	132,267	109,214		23,053
Other services and charges	238,540	249,540	248,980		560
Capital outlay	32,400	97,213	92,249		4,964
Other uses	2,763	2,763	2,763		-
Code Hearing Officer					
Other services and charges	56,976	56,976	37,505		19,471
Total General Government	13,628,124	18,431,578	16,953,068		1,478,510

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005
(Continued)

General Fund					Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final			
Expenditures (continued):					
Current (continued):					
Public Safety:					
Board of Safety					
Personal services	-	1,400	1,135	265	
Other services and charges	17,000	17,000	14,829	2,171	
Police Department					
Personal services	21,150,725	21,020,925	20,708,620	312,305	
Supplies	766,724	861,057	813,813	47,244	
Other services and charges	2,165,525	2,345,086	2,204,270	140,816	
Capital outlay	377,000	499,670	478,833	20,837	
Other uses	13,259	13,259	13,259	-	
Communication Center					
Personal services	1,428,086	1,441,086	1,391,470	49,616	
Supplies	4,029	4,029	672	3,357	
Other services and charges	30,524	30,524	29,862	662	
Other uses	121	121	121	-	
Fire Department					
Personal services	18,245,319	18,116,944	17,786,352	330,592	
Supplies	265,600	304,091	286,353	17,738	
Other services and charges	1,120,470	1,212,440	1,185,504	26,936	
Other uses	4,687	4,687	4,687	-	
Weights and Measures					
Other services and charges	43,000	85,000	84,982	18	
Junk Vehicle					
Personal services	47,710	47,810	45,343	2,467	
Supplies	3,768	3,668	2,985	683	
Other services and charges	18,586	18,586	18,493	93	
Animal Control					
Personal services	332,266	326,266	317,159	9,107	
Supplies	38,823	65,823	59,015	6,808	
Other services and charges	83,244	83,244	75,138	8,106	
Other uses	423	423	423	-	
Total Public Safety	46,156,889	46,503,139	45,523,318	979,821	

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005
(Continued)

General Fund					Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final			
Expenditures (continued):					
Current (continued):					
Highways and Streets:					
Engineering					
Personal services	1,624,363	1,624,704	1,526,324		98,380
Supplies	539,805	560,021	471,602		88,419
Other services and charges	2,437,672	2,441,771	2,413,918		27,853
Capital outlay	197,000	262,738	212,594		50,144
Other uses	1,315,532	1,316,032	1,176,573		139,459
Total Highways and Streets	6,114,372	6,205,266	5,801,011		404,255
Health and Welfare:					
Youth Service Bureau					
Other services and charges	75,000	75,000	75,000		-
Culture and Recreation:					
Art Association					
Other services and charges	125,000	125,000	125,000		-
Studebaker Museum					
Other services and charges	247,842	247,842	242,297		5,545
Palais Royale					
Personal services	265,743	264,743	240,785		23,958
Supplies	11,500	12,616	12,277		339
Other services and charges	238,416	243,364	224,354		19,010
Capital outlay	38,000	47,800	38,441		9,359
Other uses	847	847	847		-

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005
(Continued)

	General Fund				Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Budgetary Basis Amounts		
	Original	Final			
Expenditures (continued):					
Current (continued):					
Culture and Recreation (continued):					
Morris Civic					
Personal services	501,596	500,348	483,772	16,576	
Supplies	25,853	27,926	27,763	163	
Other services and charges	321,054	331,865	320,562	11,303	
Other uses	1,265	1,265	1,265	-	
Total Culture and Recreation	1,777,116	1,803,616	1,717,363	86,253	
Urban Development and Housing:					
Economic Development					
Other services and charges	973,650	973,650	973,650	-	
Unsafe Building					
Other services and charges	195,000	293,344	252,611	40,733	
Total Urban Development and Housing	1,168,650	1,266,994	1,226,261	40,733	
Total expenditures	68,920,151	74,285,593	71,296,021	2,989,572	
Net change in fund balances	(5,875,176)	(12,375,609)	(4,822,396)	7,553,213	
Fund balances - beginning	3,248,264	3,248,264	3,248,264	-	
Fund balances - ending	\$ (2,626,912)	\$ (9,127,345)	\$ (1,574,132)	\$ 7,553,213	

Continued on next page

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2005
(Continued)

	Park and Recreation Fund				
	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Taxes:					
Property	\$ 8,054,012	\$ 8,051,700	\$ 7,754,973	\$ (296,727)	
Intergovernmental	596,455	574,968	617,581	42,613	
Charges for services	2,580,175	2,580,175	2,707,531	127,356	
Fines and forfeits	500	500	195	(305)	
Other	166,500	166,500	136,119	(30,381)	
Total revenues	11,397,642	11,373,843	11,216,399	(157,444)	
Expenditures:					
Current:					
Culture and recreation:					
Personal services	7,003,436	7,004,914	6,997,472	7,442	
Supplies	1,276,532	1,344,848	1,322,960	21,888	
Other services and charges	2,086,866	2,199,794	2,184,517	15,277	
Capital outlay	71,600	765,686	764,857	829	
Other uses	274,085	274,085	274,085	-	
Total expenditures	10,712,519	11,589,327	11,543,891	45,436	
Net change in fund balances	685,123	(215,484)	(327,492)	(112,008)	
Fund balances - beginning	74,616	74,616	74,616	-	
Fund balances - ending	\$ 759,739	\$ (140,868)	\$ (252,876)	\$ (112,008)	

CITY OF SOUTH BEND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET/GAAP RECONCILIATION
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2005

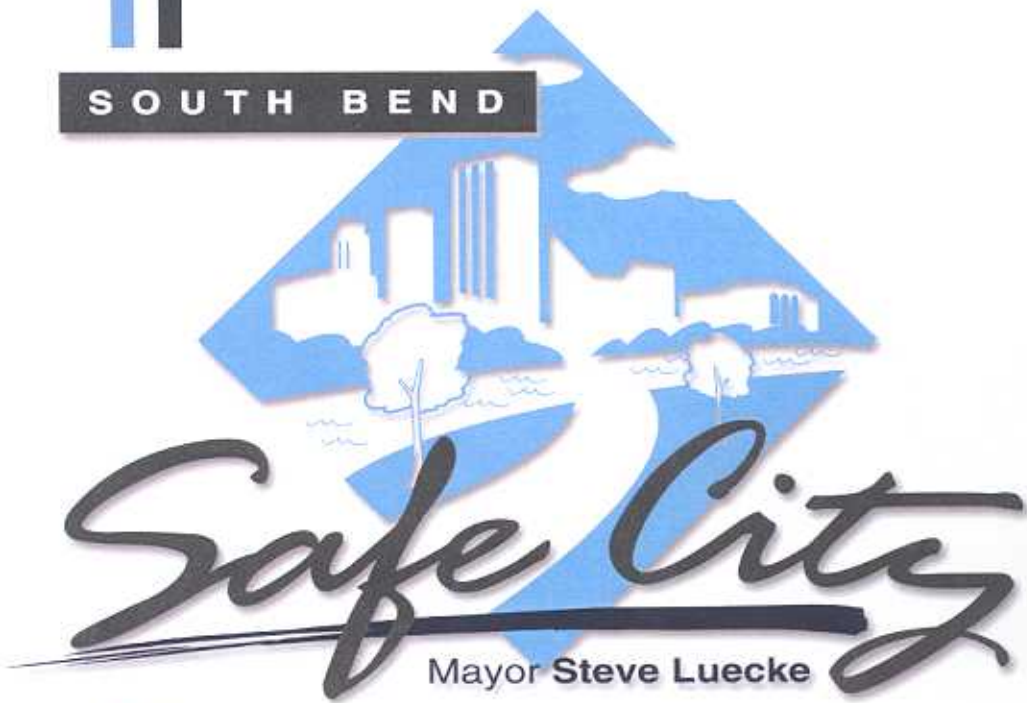
The major differences between budgetary (Non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
- c. Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

	General	Park and Recreation
Net change in fund balances (budgetary basis)	\$ (4,822,396)	\$ (327,492)
Adjustments:		
To adjust revenues for accruals	1,658,114	132,084
To adjust expenditures for accruals	195,612	(26,818)
To adjust expenditures for encumbrances	9,691,171	375,340
Net change in fund balances (GAAP basis)	<u>\$ 6,722,501</u>	<u>\$ 153,114</u>

SOUTH BEND



NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds

Motor Vehicle Highway -	To account for street construction and the operations of the street maintenance department. Financing is provided by state motor vehicle highway distributions.
Recreation Nonreverting -	To account for fees and related expenses from park department activities.
Housing Maintenance -	To account for a loan program financed by monies from the Housing Authority which are paid in lieu of property taxes. The loans may be for external maintenance needs of single-family rental units owned by the Housing Authority.
Studebaker/Oliver Revitalization Grants -	To account for expenditures related to the Studebaker and Oliver revitalization projects. Financing is provided by federal and state grants and loans and loans from other organizations.
Economic Development State Grants -	To account for expenditures related to projects promoting economic development. Financing is provided by state grants and loan payments. Expenditures include grants and related expenses.
Community Development -	To account for revenues received from the U.S. Department of Housing and Urban Development related to community improvement.
Police Federal Grant -	To account for expenditures relating to federal and state grants.
Police State Seizure -	To account for law enforcement expenditures financed by the authorized state or local agencies' sale of confiscated property.
Juvenile Positive Assistance -	To account for monies received from penalties paid for curfew violations. Expenditures include Drug Abuse Resistance Education and Juvenile Aid Bureau.
Law Enforcement Continuing Education -	To account for police fees collected to finance police officers' continuing education, training, and supplies and equipment.
Build Indiana -	To account for state grants used to finance various projects.
General Grant -	To account for grants and donations used solely for the purposes specified in the grant application or by the donor.
Local Road and Street -	To account for operation and maintenance of local and arterial road and street systems. Financing is provided by state gasoline tax distributions.
Human Rights - Federal -	To account for expenditures to prevent discrimination and to promote human rights. Financing is provided by federal grants.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Special revenue funds (continued)

East Race Waterway -	To account for donations for the promotion and development of the East Race Waterway.
Special Events -	To account for revenues and expenditures relating to the operation of special events sponsored or organized by the City.
Police Block Grants -	To account for a federal grant used to finance police activities.
Economic Development Commission -	To account for administrative expenditures of the Economic Development Commission. Financing is provided by fees from businesses applying for Economic Development Revenue Bonds.
Hazmat -	To account for monies generated by the South Bend Fire Department's response to hazardous materials incidents. Funds are used to purchase, repair, or replace haz-mat equipment, or for training and supplies.
Indiana River Rescue -	To account for expenditures related to river rescue training. Financing is provided by registration fees.
COPS Block Grant II -	To account for federal grants which provide financing for police activities.
Regional Police Academy -	To account for revenues (tuition) and expenditures (seminars, travel, lectures, and career days) related to the advancement of present and future police officers.
COPS MORE Grant -	To account for a COPS MORE grant which provides financing for police activities.
Federal Drug Enforcement -	To account for expenditures for drug enforcement. Financing is provided by distributions from the authorized federal agencies' confiscated property sale.
Urban Development Action Grant -	To account for economic development expenditures which are financed by federal grants and loan repayments.
Leaf Collection and Removal -	To account for the expenditures of a program to remove leaves from the City each fall. Financing is provided by a monthly service fee charged to all City residents.
Police K-9 Unit -	To account for donations for development and maintenance of the K-9 unit.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Special revenue funds (continued)

College Football Hall of Fame -	To account for Hotel/Motel Tax and Professional Sports Development Tax revenues dedicated towards the College Football Hall of Fame. Based on an agreement with the National Football Foundation (NFF), the City pays the NFF to assist with the operation and capital costs.
Football Hall Of Fame Operating	To account for the former enterprise fund. This fund accounts for the advance from the General Fund which may be repaid from future operating surpluses.
Rainy Day -	To account for unused and unencumbered funds that are transferred from a fund that has a tax levy. Revenues in this fund also include special distributions of county option income tax (COIT) and county economic development income tax (CEDIT).
Industrial Revolving -	To account for the revenue and expenditures of providing special loans to qualifying local firms. Financing was originally provided by a \$5,000,000 Economic Adjustment Assistance Grant from the U.S. Department of Commerce.

Debt service funds

Redevelopment Bond - Studebaker -	To accumulate monies for payment of Redevelopment District general obligation bonds, which are serial bonds due in annual installments through 2006. Financing is to be provided by an annual property tax levy.
College Football Hall of Fame Debt Service -	To accumulate monies for the payment of Redevelopment Authority bonds issued to refinance bonds issued for construction of the College Football Hall of Fame. Financing is to be provided by an annual property tax levy.
Redevelopment District Bond -	To accumulate monies as a reserve for the payment of Redevelopment Authority bonds.
EDIT Bond – Plaza Garage - Tax Exempt	To accumulate monies to meet the required debt service reserve for the Series A, Economic Development Income Tax Revenue (EDIT) Bonds of 1997.
EDIT Bond – Plaza Garage - Taxable	To accumulate monies to meet the required debt service reserve for the Series B, Taxable Economic Development Income Tax (EDIT) Revenue Bonds of 1997.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Debt service funds (continued)

Redevelopment Authority Debt Service -	To accumulate monies for the payment of Redevelopment Authority bonds issued to refinance bonds issued for construction of a parking garage facility, bonds issued for central development area land acquisition and construction of public improvements, bonds issued to purchase the Palais Royale, bonds issued to refinance bonds issued for construction of Century Center improvements, and bonds issued for renovations to the Morris Performing Art Center.
South Bend Building Corporation Debt Service -	To account for debt retirement of the Building Corporation's Mortgage Bonds. Funding is provided by transfers from other City funds.
TIF South Side Debt Service -	To account for debt retirement of the south side tax incremental financing (TIF) district. Financing is provided by transfers from the TIF south side development fund.

Capital projects funds

Emergency Medical Services -	To account for purchases of necessary equipment for the Fire Department and Emergency Medical Services Department. Financing is provided by ambulance fees.
Central Development Area Bond Proceeds -	To account for expenses financed by a 2003 revenue bond issue.
Coveleski Stadium Capital -	To account for expenditures related to the maintenance and improvement of the baseball stadium. Financing is provided by a rental paid by the semi-pro baseball team.
Zoo Endowment -	To account for construction projects at the City's zoo. Financing is provided by gifts and donations.
Park Nonreverting Capital -	To account for specific revenues used to finance capital improvements at the City parks.
Cumulative Capital Development -	To account for expenditures relating to the purchase or lease of capital improvements in the City. Financing is provided by a specific property tax levy.
Cumulative Capital Improvement -	To account for state cigarette tax distributions used for improvement projects.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Capital projects funds (continued)

Economic Development Income Tax -	To account for the City's share of the County Economic Development Tax. Expenditures include construction, acquisition and related costs for economic development projects.
Cumulative Sewer -	To account for financial resources for the construction or repairing of storm sewers or sewage disposal plants and sanitary sewers.
Tax Incremental Financing (TIF) - Sample/Ewing -	To account for expenditures for public improvements in the Sample/Ewing tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment (tax increment).
Morris Performing Art Center Capital -	To accumulate monies for major repairs and capital improvements to the Morris Civic Auditorium. Financing is provided by a surcharge on ticket sales for events held at the auditorium.
Tax Incremental Financing (TIF) - Downtown -	To account for expenditures for public improvements in the central business tax incremental district. Also, operating transfers are made to debt service funds to meet debt obligations as they mature. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Tax Incremental Financing (TIF) - West Washington -	To account for expenditures for public improvement projects in the West Washington Economic Development Area. Financing is provided by property tax proceeds in excess of those attributable to the assessed value of the property in the district before redevelopment.
Redevelopment General -	To account for eligible redevelopment activities in the Studebaker Corridor financed by proceeds from land sales or leases.
Community Revitalization Enhancement District -	To account for public improvements in the Studebaker/Oliver Community Revitalization Enhancement District. Financing is provided by income tax and gross retail tax increments in the district.
Tax Incremental Financing (TIF) - Southside Development -	To account for expenditures for improvements in the southside development tax incremental district. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.

NONMAJOR GOVERNMENTAL FUNDS
(Continued)

Capital projects funds (continued)

Redevelopment District Allocation Area Capital -	To account for local public improvements in the Airport Economic Development District. Financing is provided by a 2003 bond issue.
Tax Incremental Financing (TIF) - Central Medical Service Area -	To account for expenditures for public improvements in the central business tax incremental district, medical service area. Financing is provided by property tax proceeds in excess of those attributable to the assessed valuation of the property in the district before redevelopment.
Equipment Leasing -	To account for proceeds from capital lease-purchase agreements used to finance major equipment needs of the City.
Century Center 2001 Construction -	To account for construction and related costs of improvements to the City's Century Center. Financing was provided by a 2001 bond issue.
Morris Entertainment -	To account for donations received by Morris Entertainment, Inc., a nonprofit corporation formed to solicit donations to finance improvements to the City's Morris Performing Art Center.
South Bend Building Corporation Construction -	To account for construction and renovation financed by mortgage bond issues.

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Special Revenue							
	Motor Vehicle Highway	Recreation Nonreverting	Housing Maintenance	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant	Police State Seizure
Assets								
Cash and cash equivalents	\$ 194,435	\$ 441,957	\$ 100,000	\$ 1,534,838	\$ 455,723	\$ 693,665	\$ 1	\$ 41,949
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	2,138	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	4,051	-	-	-	70,040	-	911
Intergovernmental	382,464	-	-	-	-	40,000	-	-
Loans	-	-	-	-	4,089,987	1,972,735	-	-
Interfund receivable:								
Interfund services provided and used	-	-	-	-	-	4,329	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	3,550	-	1,522,350	-	-
Total assets	\$ 576,899	\$ 446,008	\$ 100,000	\$ 1,540,526	\$ 4,545,710	\$ 4,303,119	\$ 1	\$ 42,860
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 15,409	\$ 77,200	\$ -	\$ 10,119	\$ -	\$ 173,042	\$ -	\$ 256
Accrued payroll and withholdings payable	57,746	-	-	-	-	32,340	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								
Interfund services provided and used	21,464	-	-	-	-	38,265	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	21,991	-	-
Other current payables	-	-	-	-	-	69,009	-	-
Advances from other funds	-	-	-	-	506,448	-	-	-
Total liabilities	94,619	77,200	-	10,119	506,448	334,647	-	256
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	1,222,099	1,693	-	-	3,049
Noncurrent loans receivable	-	-	-	-	3,890,831	1,206,286	-	-
Property held for resale	-	-	-	3,550	-	-	-	-
Debt service	-	-	-	-	-	1,522,350	-	-
Unreserved, reported in:								
Special revenue funds	482,280	368,808	100,000	304,758	146,738	1,239,836	1	39,555
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	482,280	368,808	100,000	1,530,407	4,039,262	3,968,472	1	42,604
Total liabilities and fund balances	\$ 576,899	\$ 446,008	\$ 100,000	\$ 1,540,526	\$ 4,545,710	\$ 4,303,119	\$ 1	\$ 42,860

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Special Revenue							
	Juvenile Positive Assistance	Law Enforcement Continuing Education	Build Indiana	General Grant	Local Road and Street	Human Rights Federal	East Race Waterway	Special Events
Assets								
Cash and cash equivalents	\$ 11,896	\$ 343,853	\$ 1	\$ 61,905	\$ 1,945,615	\$ 460,367	\$ 46,649	\$ 10,636
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	200	-	-	-	-	-	-
Intergovernmental	-	-	-	-	237,792	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund services provided and used	-	-	-	-	-	2,167	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	\$ 11,896	\$ 344,053	\$ 1	\$ 61,905	\$ 2,183,407	\$ 462,534	\$ 46,649	\$ 10,636
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 58,402	\$ -	\$ -	\$ 128,717	\$ 11,522	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	791	-	-
Contracts payable	-	-	-	-	347,487	-	-	-
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	107	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	58,402	-	-	476,204	12,420	-	-
Fund balances:								
Reserved for:								
Encumbrances	-	14,676	-	-	556,246	2,453	-	1,420
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	11,896	270,975	1	61,905	1,150,957	447,661	46,649	9,216
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	11,896	285,651	1	61,905	1,707,203	450,114	46,649	10,636
Total liabilities and fund balances	\$ 11,896	\$ 344,053	\$ 1	\$ 61,905	\$ 2,183,407	\$ 462,534	\$ 46,649	\$ 10,636

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Special Revenue							
	Police Block Grants	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement
Assets								
Cash and cash equivalents	\$ 70,849	\$ 23,488	\$ 10,656	\$ 37,415	\$ 43,118	\$ 66,494	\$ 23,331	\$ 91,844
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	243
Taxes	-	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	100	-
Intergovernmental	-	-	-	-	-	-	-	20,918
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-
Total assets	\$ 70,849	\$ 23,488	\$ 10,656	\$ 37,415	\$ 43,118	\$ 66,494	\$ 23,431	\$ 113,005
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,303	\$ 223	\$ 320	\$ 1,233
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	3,303	223	320	1,233
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	5,575	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	70,849	23,488	10,656	37,415	39,815	60,696	23,111	111,772
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	70,849	23,488	10,656	37,415	39,815	66,271	23,111	111,772
Total liabilities and fund balances	\$ 70,849	\$ 23,488	\$ 10,656	\$ 37,415	\$ 43,118	\$ 66,494	\$ 23,431	\$ 113,005

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Special Revenue							
Assets	Urban Development Action Grant	Leaf Collection and Removal	Police K-9 Unit	College Football Hall of Fame	Football Hall of Fame Operating	Rainy Day	Industrial Revolving	Total
Cash and cash equivalents	\$ 3,410,131	\$ 293,624	\$ 2,415	\$ 662,492	\$ 1,101	\$ 2,123,625	\$ 1,406,851	\$ 14,610,924
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	7,603	9,984
Accounts	-	-	-	67,772	-	-	-	67,772
Intergovernmental	-	11,878	-	-	-	-	-	87,180
Loans	-	-	-	118,315	-	-	-	799,489
Interfund receivable:	-	-	-	-	-	-	5,015,183	11,077,905
Interfund services provided and used	-	-	-	-	-	-	-	6,496
Advances to other funds	-	-	-	-	-	-	506,448	506,448
Property held for sale	-	-	-	-	-	-	83,100	1,609,000
Total assets	\$ 3,410,131	\$ 305,502	\$ 2,415	\$ 848,579	\$ 1,101	\$ 2,123,625	\$ 7,019,185	\$ 28,775,198
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 2,793	\$ -	\$ -	\$ -	\$ -	\$ 5,214	\$ 487,753
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	90,877
Contracts payable	-	-	-	-	-	-	-	347,487
Interfund payable:								
Interfund services provided and used	-	16,650	-	-	-	-	4,329	80,815
Deferred revenue	-	-	-	-	-	-	-	-
Performance deposits payable	-	-	-	-	-	-	-	21,991
Other current payables	-	-	-	-	-	-	-	69,009
Advances from other funds	-	-	-	-	1,750,000	-	-	2,256,448
Total liabilities	-	19,443	-	-	1,750,000	-	9,543	3,354,380
Fund balances:								
Reserved for:								
Encumbrances	-	-	-	-	-	-	-	1,807,211
Noncurrent loans receivable	-	-	-	-	-	-	4,354,973	9,452,090
Property held for resale	-	-	-	-	-	-	83,100	86,650
Debt service	-	-	-	-	-	-	-	1,522,350
Unreserved, reported in:								
Special revenue funds	3,410,131	286,059	2,415	848,579	(1,748,899)	2,123,625	2,571,569	12,552,517
Capital projects funds	-	-	-	-	-	-	-	-
Total fund balances	3,410,131	286,059	2,415	848,579	(1,748,899)	2,123,625	7,009,642	25,420,818
Total liabilities and fund balances	\$ 3,410,131	\$ 305,502	\$ 2,415	\$ 848,579	\$ 1,101	\$ 2,123,625	\$ 7,019,185	\$ 28,775,198

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Debt Service Funds									
	Redevelopment Bond - Studebaker	College Football Hall of Fame Debt Service	Redevelopment District Bond	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	South Bend Building Corporation Debt Service	TIF South Side Debt Service	Total	
Assets										
Cash and cash equivalents	\$ 320,332	\$ 791,351	\$ 2,085,132	\$ 546,765	\$ 529,950	\$ 127,467	\$ 947,614	\$ 1,042,145	\$	\$ 6,390,756
Cash with fiscal agent	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	1,776,565	-	-	-	1,776,565
Receivables (net of allowances for uncollectibles):										
Interest	-	392	-	-	-	-	-	-	-	753
Taxes	84,176	185,507	-	-	-	-	-	-	-	269,683
Accounts	-	-	-	-	-	-	-	-	-	-
Intergovernmental	1,880	4,142	-	-	-	-	-	-	-	6,022
Loans	-	-	-	-	-	-	-	-	-	-
Interfund receivable:										
Interfund services provided and used	-	-	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-	-	-
Property held for sale	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 406,388	\$ 981,392	\$ 2,085,132	\$ 546,765	\$ 529,950	\$ 1,904,393	\$ 947,614	\$ 1,042,145	\$	\$ 8,443,779
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-	-	-
Interfund payable:										
Interfund services provided and used	-	8,983	-	-	-	-	-	-	-	8,983
Deferred revenue	86,056	189,649	-	-	-	-	-	-	-	275,705
Performance deposits payable	-	-	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-	-	-
Total liabilities	86,056	198,632	-	-	-	-	-	-	-	284,688
Fund balances:										
Reserved for:										
Encumbrances	-	-	-	-	-	-	-	-	-	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-	-	-
Debt service	320,332	782,760	2,085,132	546,765	529,950	1,904,393	947,614	1,042,145	8,159,091	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Total fund balances	320,332	782,760	2,085,132	546,765	529,950	1,904,393	947,614	1,042,145	-	8,159,091
Total liabilities and fund balances	\$ 406,388	\$ 981,392	\$ 2,085,132	\$ 546,765	\$ 529,950	\$ 1,904,393	\$ 947,614	\$ 1,042,145	\$	\$ 8,443,779

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CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Capital Projects							
	Emergency Medical Services	Central Development Area Bond Proceeds	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income Tax
Assets								
Cash and cash equivalents	\$ 927,471	\$ 7,154,373	\$ 268,719	\$ 15,395	\$ 432,657	\$ 2,039,914	\$ 248,463	\$ 1,941,016
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	350,812	-	-	-	-	150,001	-	123,390
Intergovernmental	-	-	-	-	-	3,349	32,871	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	483,500	-	-	-	-	-	76,256
Total assets	\$ 1,278,283	\$ 7,637,873	\$ 268,719	\$ 15,395	\$ 432,657	\$ 2,193,264	\$ 281,334	\$ 2,140,662
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 64,898	\$ 6,597	\$ 16,040	\$ -	\$ 5,212	\$ 43,684	\$ -	\$ 17,265
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Contracts payable	84,753	518,708	-	-	-	-	-	326,453
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	153,350	32,871	-
Performance deposits payable	-	-	-	-	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	149,651	525,306	16,040	-	5,212	197,034	32,871	343,718
Fund balances:								
Reserved for:								
Encumbrances	11,247	-	26,132	-	6,025	537,152	-	536,270
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	483,500	-	-	-	-	-	76,256
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	1,117,385	6,629,067	226,547	15,395	421,420	1,459,078	248,463	1,184,418
Capital projects funds	1,128,632	7,112,567	252,679	15,395	427,445	1,996,230	248,463	1,796,944
Total fund balances	\$ 1,278,283	\$ 7,637,873	\$ 268,719	\$ 15,395	\$ 432,657	\$ 2,193,264	\$ 281,334	\$ 2,140,662
Total liabilities and fund balances								

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Capital Projects							
	Cumulative Sewer	TIF - Sample/Ewing	Morris Performing Arts Center Capital	TIF Downtown	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District	TIF - Southside Development
<u>Assets</u>								
Cash and cash equivalents	\$ 80,224	\$ 446,366	\$ 260,776	\$ 4,217,394	\$ 481,424	\$ 110,173	\$ 1,642,746	\$ 135,146
Cash with fiscal agent	-	-	-	38,614	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-
Accounts	-	-	-	803,228	74,438	-	-	613
Intergovernmental	-	-	-	28	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Interfund receivable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-
Property held for sale	-	1,064,903	-	2,298,336	284,690	-	-	-
Total assets	\$ 80,224	\$ 1,531,269	\$ 260,776	\$ 7,357,600	\$ 840,552	\$ 110,173	\$ 1,642,746	\$ 135,759
<u>Liabilities and Fund Balances</u>								
<u>Liabilities:</u>								
Accounts payable	\$ -	\$ 1,255	\$ 10,846	\$ 8,919	\$ 9,103	\$ -	\$ -	\$ -
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-	-	-
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	803,228	74,438	-	-	613
Performance deposits payable	-	12,735	-	57,853	-	-	-	-
Other current payables	-	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-	-
Total liabilities	-	13,990	10,846	870,000	83,541	-	-	613
<u>Fund balances:</u>								
Reserved for:								
Encumbrances	-	61,610	2,808	30,114	205,835	-	401,267	-
Noncurrent loans receivable	-	-	-	-	-	-	-	-
Property held for resale	-	1,064,903	-	2,298,336	284,690	-	-	-
Debt service	-	-	-	-	-	-	-	-
Unreserved, reported in:								
Special revenue funds	80,224	370,766	247,122	4,159,150	268,486	110,173	1,241,479	135,146
Capital projects funds	80,224	1,517,279	249,930	6,487,600	757,011	110,173	1,642,746	135,146
Total fund balances	\$ 80,224	\$ 1,531,269	\$ 260,776	\$ 7,357,600	\$ 840,552	\$ 110,173	\$ 1,642,746	\$ 135,759
Total liabilities and fund balances								

Continued on next page

CITY OF SOUTH BEND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(Continued)

	Capital Projects							Total Nonmajor Governmental Funds
	Redevelopment District Allocation Area Capital	TIF-Central Medical Service Area	Equipment Leasing	Century Center 2001 Construction	Morris Entertainment Construction	South Bend Building Corporation Construction	Total	
Assets								
Cash and cash equivalents	\$ 4,749,137	\$ 1,123,944	\$ 452,144	\$ 7,982	\$ 25,085	\$ 328,145	\$ 27,088,694	\$ 48,090,374
Cash with fiscal agent	-	-	-	-	-	-	38,614	38,614
Investments	-	-	-	-	-	-	-	1,776,565
Receivables (net of allowances for uncollectibles):								
Interest	-	-	-	23	-	-	23	10,760
Taxes	-	15,062	-	-	-	-	1,043,342	1,380,797
Accounts	-	-	-	-	6,609	-	480,839	568,019
Intergovernmental	-	-	-	-	-	-	36,220	841,731
Loans	-	-	-	-	-	-	-	11,077,905
Interfund receivable:								
Interfund services provided and used	-	-	-	-	-	-	-	6,496
Advances to other funds	-	-	-	-	-	-	-	506,448
Property held for sale	344,520	-	-	-	-	-	4,572,205	6,181,205
Total assets	\$ 5,093,657	\$ 1,139,006	\$ 452,144	\$ 8,005	\$ 31,694	\$ 328,145	\$ 33,259,937	\$ 70,478,914
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 450	-	-	-	-	15,962	\$ 200,231	\$ 687,984
Accrued payroll and withholdings payable	-	-	-	-	-	-	-	90,877
Contracts payable	5,346	-	-	-	-	181,069	1,116,330	1,463,817
Interfund payable:								
Interfund services provided and used	-	-	-	-	-	-	-	89,798
Deferred revenue	-	15,062	-	-	-	-	1,079,562	1,355,267
Performance deposits payable	-	-	-	-	-	-	70,588	92,578
Other current payables	-	-	-	-	-	-	-	69,009
Advances from other funds	-	-	-	-	-	-	-	2,256,448
Total liabilities	5,796	15,062	-	-	-	197,031	2,466,711	6,105,779
Fund balances:								
Reserved for:								
Encumbrances	535,358	-	-	-	-	-	2,353,818	4,161,029
Noncurrent loans receivable	-	-	-	-	-	-	-	9,452,090
Property held for resale	344,520	-	-	-	-	-	4,572,205	4,658,855
Debt service	-	-	-	-	-	-	-	9,681,441
Unreserved, reported in:								
Special revenue funds	-	-	-	-	-	-	-	12,552,517
Capital projects funds	4,207,983	1,123,944	452,144	8,005	31,694	131,114	23,867,203	23,867,203
Total fund balances	5,087,861	1,123,944	452,144	8,005	31,694	131,114	30,793,226	64,373,135
Total liabilities and fund balances	\$ 5,093,657	\$ 1,139,006	\$ 452,144	\$ 8,005	\$ 31,694	\$ 328,145	\$ 33,259,937	\$ 70,478,914

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Special Revenue						
	Motor Vehicle Highway	Recreation Nonreverting	Housing Maintenance	Studebaker Oliver Revitalization Grants	Economic Development State Grants	Community Development	Police Federal Grant
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County economic development income	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	3,307,554	-	-	771,644	30,900	4,394,245	72,922
Charges for services	8,940	822,999	-	-	-	370,267	-
Fines and forfeits	-	-	-	-	-	-	-
Interest	3,402	13,574	-	26,901	138,240	22,331	-
Donations	-	-	-	-	-	-	-
Other	1,105	5,120	-	-	21,584	173,714	-
Total revenues	3,321,001	841,693	-	798,545	190,724	4,960,557	72,922
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	72,922
Highways and streets	3,550,403	-	-	-	-	-	-
Economic development	-	-	-	120,756	263,839	5,794,450	-
Culture and recreation	-	907,035	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	121,398	-	-
Interest and fiscal charges	-	-	-	-	77,394	-	-
Debt issuance costs	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total expenditures	3,550,403	907,035	-	120,756	462,631	5,794,450	72,922
Excess (deficiency) of revenues over (under) expenditures	(229,402)	(65,342)	-	677,789	(271,907)	(833,893)	-
Other financing sources (uses):							
Transfers in	160,000	-	-	-	-	1,156,343	-
Transfers out	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-
Total other financing sources and uses	160,000	-	-	-	-	1,156,343	-
Net change in fund balances	(69,402)	(65,342)	-	677,789	(271,907)	322,450	-
Fund balances - beginning	551,662	434,150	100,000	852,618	4,311,169	3,646,022	1
Fund balances - ending	\$ 482,260	\$ 368,808	\$ 100,000	\$ 1,530,407	\$ 4,039,262	\$ 3,968,472	\$ 1

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

	Special Revenue								
	Police State Seizure	Juvenile Positive Assistance	Law Enforcement Continuing Education	Build Indiana	General Grant	Local Road and Street	Human Rights Federal	East Race Waterway	Special Events
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County economic development income	-	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	24,581	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,168,720	137,093	-	-
Charges for services	-	-	256,966	-	-	-	-	1,533	-
Fines and forfeits	40,668	1,550	-	-	-	-	-	-	-
Interest	-	-	6,682	-	-	49,951	10,461	1,329	247
Donations	-	-	-	-	-	-	12,229	13,688	-
Other	-	2,289	3,672	-	-	69,698	1,021	-	3,660
Total revenues	40,668	3,839	291,901	-	-	3,288,369	160,804	16,550	3,907
Expenditures:									
Current:									
General government	-	-	-	-	250	-	194,272	-	9,423
Public safety	40,455	2,080	271,152	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	3,066,095	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	14,043	-
Debt service:	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-
Capital outlay:	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Total expenditures	40,455	2,080	271,152	-	250	3,066,095	194,272	14,043	9,423
Excess (deficiency) of revenues over (under) expenditures	213	1,759	20,749	-	(250)	222,274	(33,468)	2,507	(5,516)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-	-
Net change in fund balances	213	1,759	20,749	-	(250)	222,274	(33,468)	2,507	(5,516)
Fund balances - beginning	42,391	10,137	264,902	1	62,155	1,484,929	483,582	44,142	16,152
Fund balances - ending	\$ 42,604	\$ 11,896	\$ 285,651	\$ 1	\$ 61,905	\$ 1,707,203	\$ 450,114	\$ 46,649	\$ 10,636

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

	Special Revenue							
	Police Block Grants	Economic Development Commission	Hazmat	Indiana River Rescue	COPS Block Grant II	Regional Police Academy	COPS MORE Grant	Federal Drug Enforcement
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	67,080	-	-	6,709
Charges for services	-	1,600	5,049	22,800	-	23,073	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	4,313	-	-	-	-	-	-	3,249
Donations	-	-	-	-	-	-	-	-
Other	-	-	-	-	5,579	-	101,319	30,126
Total revenues	4,313	1,600	5,049	22,800	72,659	23,073	101,319	40,084
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	151,309	-	115,823	15,678	240,367	78,687	100,485	57,565
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	151,309	-	115,823	15,678	240,367	78,687	100,485	57,565
Excess (deficiency) of revenues over (under) expenditures	(146,996)	1,600	(110,774)	7,122	(167,708)	(55,614)	834	(17,481)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-	-	-	-
Net change in fund balances	(146,996)	1,600	(110,774)	7,122	(167,708)	(55,614)	834	(17,481)
Fund balances - beginning	217,845	21,888	121,430	30,293	207,523	121,885	22,277	129,253
Fund balances - ending	\$ 70,849	\$ 23,488	\$ 10,656	\$ 37,415	\$ 39,815	\$ 66,271	\$ 23,111	\$ 111,772

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

	Special Revenue								
	Urban Development Action Grant	Leaf Collection and Removal	Police K-9 Unit	College Football Hall of Fame	Football Hall of Fame Operating	Rainy Day	Industrial Revolving	Total	
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
County economic development income	-	-	-	-	-	-	-	-	
Professional sports development	-	-	-	385,553	-	-	-	385,553	
Community revitalization enhancement district	-	-	-	-	-	-	-	-	
Licenses and permits	-	-	-	-	-	-	-	-	
Intergovernmental	-	-	-	467,198	-	-	-	24,581	
Charges for services	-	148,150	-	-	-	-	-	12,424,065	
Fines and forfeits	-	-	-	-	-	-	-	1,661,377	
Interest	3,650	-	-	14,531	-	68,991	244,848	42,218	
Donations	-	-	6,273	-	-	-	-	32,190	
Other	3,293,262	-	-	-	-	-	20,135	3,732,284	
Total revenues	3,296,912	148,150	6,273	867,282	-	68,991	264,983	18,914,968	
Expenditures:									
Current:									
General government	-	135,525	-	-	-	-	-	339,470	
Public safety	-	-	3,865	-	-	-	-	1,150,388	
Highways and streets	-	-	-	-	-	-	-	6,616,498	
Economic development	494,185	-	-	-	-	-	376,346	7,049,576	
Culture and recreation	-	-	-	706,425	-	-	-	1,627,503	
Debt service:									
Principal	-	-	-	-	-	-	-	121,398	
Interest and fiscal charges	-	-	-	-	-	-	-	77,394	
Debt issuance costs	-	-	-	-	-	-	-	-	
Capital outlay:									
General government	-	-	-	-	-	-	-	-	
Public safety	-	-	-	-	-	-	-	-	
Economic development	-	-	-	-	-	-	-	-	
Culture and recreation	-	-	-	-	-	-	-	-	
Total expenditures	494,185	135,525	3,865	706,425	-	-	376,346	16,982,227	
Excess (deficiency) of revenues over (under) expenditures	2,802,727	12,625	2,408	160,857	-	68,991	(111,363)	1,932,741	
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	
Transfers out	-	(160,000)	-	-	-	-	-	1,316,343	
Discount on debt issuance	-	-	-	-	-	-	-	(160,000)	
Debt issuance	-	-	-	-	-	-	-	-	
Total other financing sources and uses	-	(160,000)	-	-	-	-	-	1,156,343	
Net change in fund balances	2,802,727	(147,375)	2,408	160,857	-	68,991	(111,363)	3,089,084	
Fund balances - beginning	607,404	439,434	7	687,722	(1,748,899)	2,054,634	7,121,005	22,331,734	
Fund balances - ending	\$ 3,410,131	\$ 286,059	\$ 2,415	\$ 848,579	\$ (1,748,899)	\$ 2,123,625	\$ 7,009,642	\$ 25,420,818	

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

	Debt Service Funds							
	Redevelopment Bond - Studebaker	College Football Hall of Fame Debt Service	Redevelopment District Bond	EDIT Bond - Plaza Garage Tax Exempt	EDIT Bond - Plaza Garage Taxable	Redevelopment Authority Debt Service	South Bend Building Corporation Debt Service	TIF South Side Debt Service
Revenues:								
Taxes:								
Property	\$ 584,278	\$ 1,286,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,870,961
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	-	-
Licenses and permits	38,369	84,555	-	-	-	-	-	122,924
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	3,685	13,952	589,875	17,392	16,857	53,007	20,221	732,542
Donations	-	-	-	-	-	-	-	-
Other	-	41	-	-	-	-	-	41
Total revenues	626,332	1,385,231	589,875	17,392	16,857	53,007	20,221	2,726,468
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	615,000	705,000	-	-	-	1,290,000	1,451,232	4,061,232
Interest and fiscal charges	44,152	714,873	-	-	-	973,563	1,382,711	3,214,500
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Total expenditures	659,152	1,419,873	-	-	-	2,263,563	2,833,943	7,275,732
Excess (deficiency) of revenues over (under) expenditures	(32,820)	(34,642)	589,875	17,392	16,857	(2,210,556)	(2,813,722)	(4,549,264)
Other financing sources (uses):								
Transfers in	-	-	633,431	-	-	2,230,675	2,847,343	5,711,449
Transfers out	-	-	(589,876)	(17,392)	(16,857)	-	(557)	(624,682)
Discount on debt issuance	-	-	-	-	-	-	-	-
Debt issuance	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	43,555	(17,392)	(16,857)	2,230,675	2,846,786	6,210,560
Net change in fund balances	(32,820)	(34,642)	633,430	-	-	20,119	33,064	1,661,296
Fund balances - beginning	353,152	817,402	1,451,702	546,765	529,950	1,894,274	914,550	6,487,795
Fund balances - ending	\$ 320,332	\$ 782,760	\$ 2,085,132	\$ 546,765	\$ 529,950	\$ 1,904,393	\$ 947,614	\$ 8,159,091

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

	Capital Projects									
	Emergency Medical Services	Central Development Area Bond Proceeds	Coveleski Stadium Capital	Zoo Endowment	Park Nonreverting Capital	Cumulative Capital Development	Cumulative Capital Improvement	Economic Development Income	Tax	
Revenues:										
Taxes:										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,019,675	\$ -	\$ -	\$ -	
County economic development income	-	-	-	-	-	-	-	-	3,464,152	
Professional sports development	-	-	-	-	-	-	-	-	-	
Community revitalization enhancement district	-	-	-	-	-	-	-	-	-	
Licenses and permits	-	-	-	-	-	-	-	-	-	
Intergovernmental	-	-	-	-	-	80,017	333,206	-	-	
Charges for services	1,505,993	-	18,424	-	134,788	-	-	-	-	
Fines and forfeits	-	-	-	-	-	-	-	-	-	
Interest	22,031	303,725	9,110	-	7,545	46,573	320	-	15,781	
Donations	1,045	-	-	7,968	-	-	-	-	-	
Other	145,309	-	-	-	114,955	23,111	200,000	-	245,735	
Total revenues	1,674,378	303,725	27,534	7,968	257,288	1,169,376	533,526	-	3,725,668	
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	
Public safety	-	-	-	-	-	-	-	-	-	
Highways and streets	-	-	-	-	-	-	-	-	-	
Economic development	-	-	-	-	-	-	-	-	-	
Culture and recreation	-	-	-	-	-	-	-	-	-	
Debt service:										
Principal	240,502	-	-	-	-	181,843	-	-	715,000	
Interest and fiscal charges	17,365	-	-	-	-	30,001	-	-	633,000	
Debt issuance costs	-	-	-	-	-	-	-	-	-	
Capital outlay:										
General government	-	-	-	-	-	709,855	-	-	1,266,348	
Public safety	984,631	-	-	-	-	-	-	-	-	
Economic development	-	5,256,564	-	-	-	-	-	-	-	
Culture and recreation	-	-	133,035	10,000	246,266	-	-	-	-	
Total expenditures	1,242,498	5,256,564	133,035	10,000	246,266	931,699	-	-	2,614,348	
Excess (deficiency) of revenues over (under) expenditures	431,880	(4,952,839)	(105,501)	(2,032)	11,022	237,677	533,526	-	1,111,320	
Other financing sources (uses):										
Transfers in	-	298,879	-	-	-	-	-	-	34,249	
Transfers out	(250,000)	(88,767)	-	-	-	-	(594,000)	-	(1,651,836)	
Discount on debt issuance	-	-	-	-	-	-	-	-	-	
Debt issuance	-	-	-	-	-	-	-	-	-	
Total other financing sources and uses	(250,000)	210,112	-	-	-	-	(594,000)	-	(1,617,587)	
Net change in fund balances	181,880	(4,742,727)	(105,501)	(2,032)	11,022	237,677	(60,474)	-	(506,267)	
Fund balances - beginning	946,752	11,855,294	358,180	17,427	416,423	1,758,553	308,937	-	2,303,211	
Fund balances - ending	\$ 1,128,632	\$ 7,112,567	\$ 252,679	\$ 15,395	\$ 427,445	\$ 1,996,230	\$ 248,463	\$ -	\$ 1,796,944	

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

Capital Projects								
	Cumulative Sewer	TIF - Sample/Ewing	Morris Performing Arts Center Capital	TIF Downtown	TIF - West Washington	Redevelopment General	Community Revitalization Enhancement District	TIF - Southside Development
Revenues:								
Taxes:								
Property	\$ -	\$ 586,551	\$ -	\$ 2,604,698	\$ 270,250	\$ -	\$ -	\$ 135,146
County economic development income	-	-	-	-	-	-	-	-
Professional sports development	-	-	-	-	-	-	-	-
Community revitalization enhancement district	-	-	-	-	-	-	965,052	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	98,901	144,703	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Interest	-	5,833	4,155	93,151	9,785	3,432	22,425	-
Donations	-	-	-	-	-	-	-	-
Other	-	5,033	-	578,536	-	-	-	-
Total revenues	-	597,417	103,056	3,421,088	280,035	3,432	987,477	135,146
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Economic development	-	-	-	298,943	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	345,000	-	280,238	-	-	-	-
Interest and fiscal charges	-	125,165	-	538,002	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Economic development	-	323,011	-	2,055,239	26,752	-	-	4,126,753
Culture and recreation	-	-	55,052	-	-	-	-	-
Total expenditures	-	793,176	55,052	3,172,422	26,752	-	-	4,291,218
Excess (deficiency) of revenues over (under) expenditures	-	(195,759)	48,004	248,666	253,283	3,432	987,477	(4,156,072)
Other financing sources (uses):								
Transfers in	-	-	-	670,884	-	-	-	-
Transfers out	-	-	-	(1,066,889)	-	-	-	-
Discount on debt issuance	-	-	-	-	-	-	-	(69,989)
Debt issuance	-	-	-	-	-	-	-	4,381,207
Total other financing sources and uses	-	-	-	(396,005)	-	-	-	4,291,218
Net change in fund balances	-	(195,759)	48,004	(147,339)	253,283	3,432	987,477	135,146
Fund balances - beginning	80,224	1,713,038	201,926	6,634,939	503,728	106,741	655,269	-
Fund balances - ending	\$ 80,224	\$ 1,517,279	\$ 249,930	\$ 6,487,600	\$ 757,011	\$ 110,173	\$ 1,642,746	\$ 135,146

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
(Continued)

	Capital Projects						Total	Total
	Redevelopment District Allocation Area Capital	TIF-Central Medical Service Area	Equipment Leasing	Century Center 2001 Construction	Morris Entertainment	South Bend Building Corporation Construction		Nonmajor Governmental Funds
Revenues:								
Taxes:								
Property	\$ -	\$ 384,312	\$ -	\$ -	\$ -	\$ -	\$ 5,000,632	\$ 6,871,593
County economic development income	-	-	-	-	-	-	3,464,152	3,464,152
Professional sports development	-	-	-	-	-	-	-	385,553
Community revitalization enhancement district	-	-	-	-	-	-	985,052	985,052
Licenses and permits	-	-	-	-	-	-	24,581	24,581
Intergovernmental	-	-	-	-	-	-	413,223	12,960,212
Charges for services	-	-	-	-	-	-	1,902,809	3,564,186
Fines and forfeits	-	-	-	-	-	-	-	42,218
Interest	176,682	26,429	23,094	196	1,228	66,653	838,148	2,183,390
Donations	-	-	-	-	504,598	-	513,611	545,801
Other	-	-	-	-	-	-	1,312,679	5,045,004
Total revenues	176,682	410,741	23,094	196	505,826	66,653	14,410,306	\$ 36,051,742
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	339,470
Public safety	-	-	-	-	-	-	-	1,150,388
Highways and streets	-	-	-	-	-	-	-	6,616,498
Economic development	-	-	-	-	-	-	298,943	7,348,519
Culture and recreation	-	-	-	-	-	-	-	1,627,503
Debt service:								
Principal	-	-	-	-	-	-	1,772,583	5,955,213
Interest and fiscal charges	-	-	-	-	-	-	1,343,533	4,635,427
Debt issuance costs	-	-	-	-	-	20,941	185,406	185,406
Capital outlay:								
General government	-	-	748,850	-	-	-	2,725,053	2,725,053
Public safety	-	-	-	-	-	3,873,122	4,857,753	4,857,753
Economic development	1,783,917	-	-	-	-	-	13,572,236	13,572,236
Culture and recreation	-	-	-	-	689,764	-	1,134,117	1,134,117
Total expenditures	1,783,917	-	748,850	-	689,764	3,894,063	25,889,624	50,147,583
Excess (deficiency) of revenues over (under) expenditures	(1,607,235)	410,741	(725,756)	196	(183,938)	(3,827,410)	(11,479,318)	(14,095,841)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	557	1,004,569	8,032,361
Transfers out	-	-	-	-	(9,033)	-	(3,660,525)	(4,445,207)
Discount on debt issuance	-	-	-	-	-	-	(69,989)	(69,989)
Debt issuance	-	-	1,177,900	-	-	920,000	6,459,107	7,582,900
Total other financing sources and uses	-	-	1,177,900	-	(9,033)	920,557	3,733,162	11,100,065
Net change in fund balances	(1,607,235)	410,741	452,144	196	(192,971)	(2,906,853)	(7,746,156)	(2,995,776)
Fund balances - beginning	6,695,096	713,203	-	7,609	224,665	3,037,967	38,539,382	67,368,911
Fund balances - ending	\$ 5,087,861	\$ 1,123,944	\$ 452,144	\$ 8,005	\$ 31,694	\$ 131,114	\$ 30,793,226	\$ 64,373,135

CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - MOTOR VEHICLE HIGHWAY
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,475,616	\$ 3,475,616	\$ 3,397,433	\$ (78,183)
Charges for services	8,940	8,940	8,940	-
Other	160,000	160,000	164,938	4,938
Total revenues	3,644,556	3,644,556	3,571,311	(73,245)
Expenditures:				
Current:				
Highways and streets				
Personal services	3,402,533	3,313,889	3,247,530	66,359
Supplies	78,480	78,480	64,963	13,517
Other services and charges	149,257	149,861	144,232	5,629
Other uses	105,783	105,783	105,783	-
Total expenditures	3,736,053	3,648,013	3,562,508	85,505
Net change in fund balances	(91,497)	(3,457)	8,803	12,260
Fund balances - beginning	178,009	178,009	178,009	-
Fund balances - ending	\$ 86,512	\$ 174,552	\$ 186,812	\$ 12,260
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 8,803	
To adjust revenues for accruals			(90,310)	
To adjust expenditures for accruals			(2,284)	
To adjust expenditures for encumbrances			14,389	
Net change in fund balance, GAAP basis			\$ (69,402)	

CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS - RECREATION NONREVERTING
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 955,976	\$ 955,976	\$ 823,068	\$ (132,908)
Other	4,000	4,000	15,686	11,686
Total revenues	959,976	959,976	838,754	(121,222)
Expenditures:				
Current:				
Culture and recreation				
Personal services	481,581	421,581	404,130	17,451
Supplies	216,802	234,468	221,871	12,597
Other services and charges	112,123	232,549	216,908	15,641
Capital outlay	45,000	34,925	32,353	2,572
Total expenditures	855,506	923,523	875,262	48,261
Net change in fund balances	104,470	36,453	(36,508)	(72,961)
Fund balances - beginning	451,362	451,362	451,362	-
Fund balances - ending	\$ 555,832	\$ 487,815	\$ 414,854	\$ (72,961)
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (36,508)	
To adjust revenues for accruals			2,939	
To adjust expenditures for accruals			(57,824)	
To adjust expenditures for encumbrances			26,051	
Net change in fund balance, GAAP basis			\$ (65,342)	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 618,994	\$ 618,994	\$ 4,797,753	\$ 4,178,759
Fines and forfeits	5,250	5,250	3,940	(1,310)
Other	2,159,248	2,680,782	1,574,546	(1,086,236)
Total revenues	2,783,492	3,285,026	6,376,239	3,091,213
Expenditures:				
Current:				
Urban redevelopment and housing				
Personal services	2,383,154	2,377,418	2,077,920	299,498
Supplies	39,925	46,201	37,703	8,498
Other services and charges	305,971	306,333	242,303	64,030
Other uses	23,616	6,520,942	3,857,473	2,663,469
Total expenditures	2,752,666	9,250,894	6,215,399	3,035,495
Net change in fund balances	30,826	(5,965,868)	160,840	6,126,708
Fund balances - beginning	540,668	540,668	540,668	-
Fund balances - ending	\$ 571,494	\$ (5,425,200)	\$ 701,508	\$ 6,126,708
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 160,840	
To adjust revenues for accruals			(259,339)	
To adjust expenditures for accruals			196,896	
To adjust expenditures for encumbrances			224,053	
Net change in fund balance, GAAP basis			\$ 322,450	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - LOCAL ROAD AND STREET
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,235,681	\$ 3,235,681	\$ 3,126,943	\$ (108,738)
Other	10,000	10,000	122,609	112,609
Total revenues	3,245,681	3,245,681	3,249,552	3,871
Expenditures:				
Current:				
Highways and streets	4,260,516	4,532,198	3,642,033	890,165
Capital	(1,014,835)	(1,286,517)	(392,481)	894,036
Net change in fund balances				
Fund balances - beginning	1,305,646	1,305,646	1,305,646	-
Fund balances - ending	\$ 290,811	\$ 19,129	\$ 913,165	\$ 894,036
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (392,481)	
To adjust revenues for accruals			38,817	
To adjust expenditures for accruals			(456,512)	
To adjust expenditures for encumbrances			1,032,450	
Net change in fund balance, GAAP basis			\$ 222,274	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - HUMAN RIGHTS FEDERAL
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 183,000	\$ 183,000	\$ 123,077	\$ (59,923)
Other	34,300	34,300	36,613	2,313
Total revenues	217,300	217,300	159,690	(57,610)
Expenditures:				
Current:				
General government				
Personal services	88,383	87,883	79,771	8,112
Supplies	2,800	4,313	4,065	248
Other services and charges	95,755	145,755	108,016	37,739
Capital outlay	-	9,000	3,768	5,232
Other uses	3,570	3,570	3,570	-
Total expenditures	190,508	250,521	199,190	51,331
Net change in fund balances	26,792	(33,221)	(39,500)	(6,279)
Fund balances - beginning	483,781	483,781	483,781	-
Fund balances - ending	\$ 510,573	\$ 450,560	\$ 444,281	\$ (6,279)
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (39,500)	
To adjust revenues for accruals			1,114	
To adjust expenditures for accruals			(9,955)	
To adjust expenditures for encumbrances			14,873	
Net change in fund balance, GAAP basis			\$ (33,468)	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - SPECIAL EVENTS
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other	\$ 73,400	\$ 73,400	\$ 3,944	\$ (69,456)
Expenditures:				
Current:				
Culture and recreation				
Supplies	3,700	3,700	208	3,492
Other services and charges	102,000	102,390	6,619	95,771
Other uses	4,017	4,017	4,017	-
Total expenditures	109,717	110,107	10,844	99,263
Net change in fund balances	(36,317)	(36,707)	(6,900)	29,807
Fund balances - beginning	16,115	16,115	16,115	-
Fund balances - ending	\$ (20,202)	\$ (20,592)	\$ 9,215	\$ 29,807
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (6,900)	
To adjust revenues for accruals			(37)	
To adjust expenditures for accruals			1	
To adjust expenditures for encumbrances			1,420	
Net change in fund balance, GAAP basis			\$ (5,516)	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - COLLEGE FOOTBALL HALL OF FAME
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Professional sports development	\$ 370,000	\$ 370,000	\$ 384,906	\$ 14,906
Intergovernmental	461,423	461,423	465,177	3,754
Other	4,000	4,000	15,702	11,702
Total revenues	835,423	835,423	865,785	30,362
Expenditures:				
Current:				
Culture and recreation				
Other uses	631,425	706,425	706,425	-
Net change in fund balances	203,998	128,998	159,360	30,362
Fund balances - beginning	503,132	503,132	503,132	-
Fund balances - ending	\$ 707,130	\$ 632,130	\$ 662,492	\$ 30,362
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 159,360	
To adjust revenues for accruals			1,497	
Net change in fund balance, GAAP basis			\$ 160,857	

CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS - REDEVELOPMENT BOND - STUDEBAKER
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 664,403	\$ 585,427	\$ 565,420	\$ (20,007)
Intergovernmental	42,386	35,275	38,369	3,094
Other	-	-	3,685	3,685
Total revenues	<u>706,789</u>	<u>620,702</u>	<u>607,474</u>	<u>(13,228)</u>
Expenditures:				
Debt service:				
Principal	615,000	615,000	615,000	-
Interest and fiscal agent fees	52,346	58,346	44,152	14,194
Total expenditures	<u>667,346</u>	<u>673,346</u>	<u>659,152</u>	<u>14,194</u>
Net change in fund balances	39,443	(52,644)	(51,678)	966
Fund balances - beginning	<u>121,159</u>	<u>121,159</u>	<u>121,159</u>	<u>-</u>
Fund balances - ending	<u>\$ 160,602</u>	<u>\$ 68,515</u>	<u>\$ 69,481</u>	<u>\$ 966</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (51,678)	
To adjust revenues for accruals			18,858	
			<u>\$ (32,820)</u>	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS - COLLEGE FOOTBALL HALL OF FAME DEBT SERVICE
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 1,421,609	\$ 1,290,159	\$ 1,246,067	\$ (44,092)
Intergovernmental	89,456	77,740	84,555	6,815
Miscellaneous	-	-	10,429	10,429
Total revenues	<u>1,511,065</u>	<u>1,367,899</u>	<u>1,341,051</u>	<u>(26,848)</u>
Expenditures:				
Debt service:				
Principal	1,403,500	1,403,500	1,403,500	-
Interest and fiscal agent fees	2,400	7,900	5,500	2,400
Total expenditures	<u>1,405,900</u>	<u>1,411,400</u>	<u>1,409,000</u>	<u>2,400</u>
Net change in fund balances	105,165	(43,501)	(67,949)	(24,448)
Fund balances - beginning	164,216	164,216	164,216	-
Fund balances - ending	<u>\$ 269,381</u>	<u>\$ 120,715</u>	<u>\$ 96,267</u>	<u>\$ (24,448)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (67,949)	
To adjust revenues for accruals			44,180	
To adjust expenditures for accruals			(10,873)	
Net change in fund balance, GAAP basis			<u>\$ (34,642)</u>	

CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - EMERGENCY MEDICAL SERVICES
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 1,401,800	\$ 1,401,800	\$ 1,296,381	\$ (105,419)
Other	3,000	3,000	431,486	428,486
Total revenues	1,404,800	1,404,800	1,727,867	323,067
Expenditures:				
Capital outlay				
Public safety				
Other services and charges	277,867	277,867	273,796	4,071
Capital outlay	625,000	1,047,826	1,027,010	20,816
Total expenditures	902,867	1,325,693	1,300,806	24,887
Other financing uses:				
Operating transfers out	(250,000)	(250,000)	(250,000)	-
Net change in fund balances	251,933	(170,893)	177,061	347,954
Fund balances - beginning	630,772	630,772	630,772	-
Fund balances - ending	\$ 882,705	\$ 459,879	\$ 807,833	\$ 347,954
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 177,061	
To adjust revenues for accruals			(53,489)	
To adjust expenditures for accruals			(102,590)	
To adjust expenditures for encumbrances			160,998	
Net change in fund balance, GAAP basis			\$ 181,880	

CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUND
 CAPITAL PROJECTS FUNDS - COUNTY OPTION INCOME TAX
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
County option income	\$ 5,988,413	\$ 5,988,413	\$ 5,695,618	\$ (292,795)
Other	120,000	120,000	1,752,027	1,632,027
Total revenues	<u>6,108,413</u>	<u>6,108,413</u>	<u>7,447,645</u>	<u>1,339,232</u>
Expenditures:				
Capital outlay				
General government	2,608,184	2,614,184	2,612,183	2,001
Other services and charges	8,572,848	15,297,178	13,714,229	1,582,949
Capital outlay	11,181,032	17,911,362	16,326,412	1,584,950
Total expenditures	<u>(5,072,619)</u>	<u>(11,802,949)</u>	<u>(8,878,767)</u>	<u>2,924,182</u>
Net change in fund balances				
Fund balances - beginning	11,034,243	11,034,243	11,034,243	-
Fund balances - ending	<u>\$ 5,961,824</u>	<u>\$ (768,706)</u>	<u>\$ 2,155,476</u>	<u>\$ 2,924,182</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (8,878,767)	
To adjust revenues for accruals			(57,077)	
To adjust expenditures for accruals			2,168,803	
To adjust expenditures for encumbrances			5,139,520	
Net change in fund balance, GAAP basis			<u>\$ (1,627,521)</u>	

CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - PARK NONREVERTING CAPITAL
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 152,000	\$ 152,000	\$ 134,788	\$ (17,212)
Other	154,000	154,000	122,933	(31,067)
Total revenues	306,000	306,000	257,721	(48,279)
Expenditures:				
Capital outlay				
Culture and recreation				
Capital outlay	255,600	271,244	254,152	17,092
Net change in fund balances	50,400	34,756	3,569	(31,187)
Fund balances - beginning	417,851	417,851	417,851	-
Fund balances - ending	\$ 468,251	\$ 452,607	\$ 421,420	\$ (31,187)
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ 3,569	
To adjust revenues for accruals			(433)	
To adjust expenditures for accruals			(3,351)	
To adjust expenditures for encumbrances			11,237	
Net change in fund balance, GAAP basis			\$ 11,022	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL DEVELOPMENT
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 1,047,825	\$ 1,043,225	\$ 1,004,779	\$ (38,446)
Intergovernmental	79,936	74,496	80,017	5,521
Other	74,775	74,775	72,396	(2,379)
Total revenues	1,202,536	1,192,496	1,157,192	(35,304)
Expenditures:				
Capital outlay				
General government				
Other services and charges	193,532	206,032	188,780	17,252
Capital outlay	848,701	1,592,144	1,401,023	191,121
Total expenditures	1,042,233	1,798,176	1,589,803	208,373
Net change in fund balances	160,303	(605,680)	(432,611)	173,069
Fund balances - beginning	1,486,874	1,486,874	1,486,874	-
Fund balances - ending	\$ 1,647,177	\$ 881,194	\$ 1,054,263	\$ 173,069
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (432,611)	
To adjust revenues for accruals			12,184	
To adjust expenditures for accruals			77,268	
To adjust expenditures for encumbrances			580,836	
Net change in fund balance, GAAP basis			\$ 237,677	

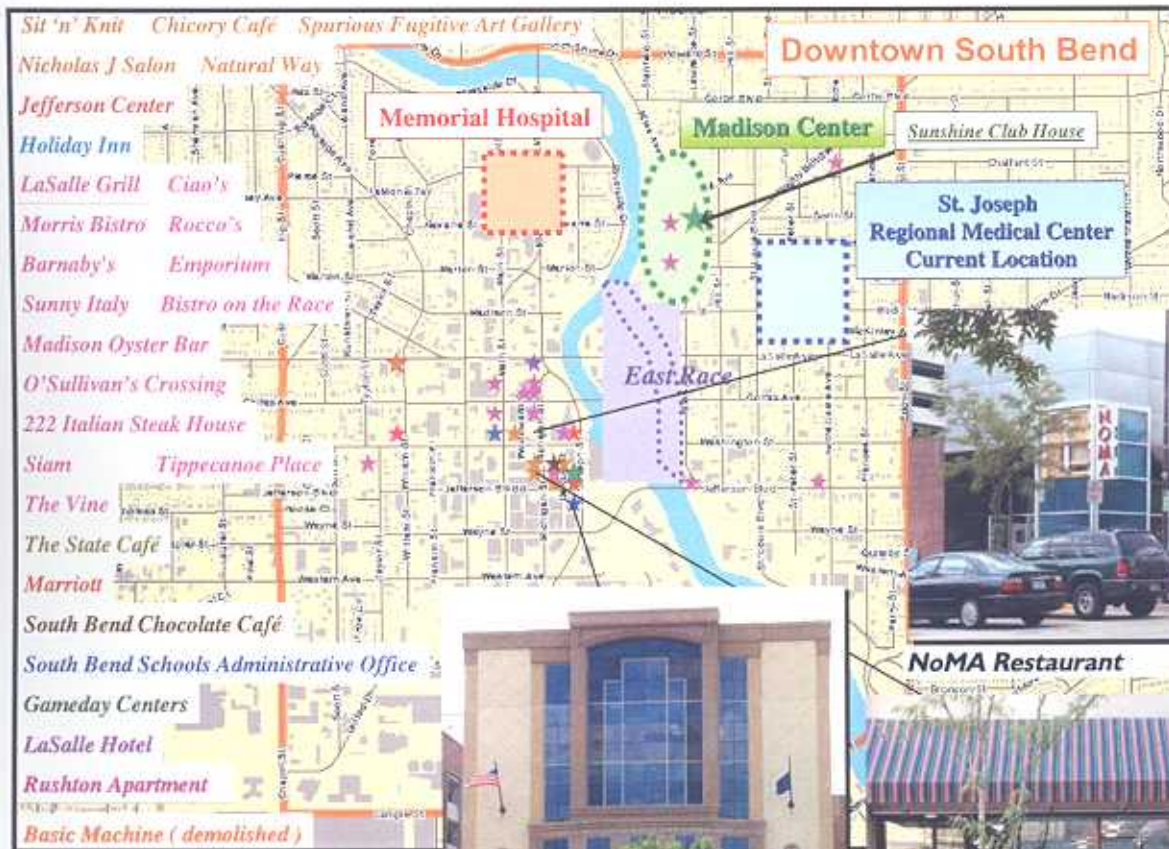
CITY OF SOUTH BEND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS - CUMULATIVE CAPITAL IMPROVEMENT
 For The Year Ended December 31, 2005

	Budgeted Amounts		Actual Budgetary Basis Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 405,287	\$ 405,287	\$ 333,206	\$ (72,081)
Other	200,000	200,000	200,505	505
Total revenues	605,287	605,287	533,711	(71,576)
Expenditures:				
Capital outlay				
General government				
Other services and charges	588,984	881,384	594,000	287,384
Net change in fund balances	16,303	(276,097)	(60,289)	215,808
Fund balances - beginning	308,752	308,752	308,752	-
Fund balances - ending	\$ 325,055	\$ 32,655	\$ 248,463	\$ 215,808
<u>Budget/GAAP Reconciliation</u>				
Net change in fund balance, budget basis			\$ (60,289)	
To adjust revenues for accruals			(185)	
Net change in fund balance, GAAP basis			\$ (60,474)	

CITY OF SOUTH BEND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS - ECONOMIC DEVELOPMENT INCOME TAX
For The Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary Basis Amounts	With Final Budget Positive (Negative)
Revenues:				
Taxes:				
County economic development income tax	\$ 3,582,215	\$ 3,582,215	\$ 3,464,152	\$ (118,063)
Other	150,000	150,000	181,193	31,193
Total revenues	<u>3,732,215</u>	<u>3,732,215</u>	<u>3,645,345</u>	<u>(86,870)</u>
Expenditures:				
Capital outlay				
General government				
Other services and charges	3,337,732	3,343,732	3,319,969	23,763
Capital outlay	824,000	1,846,885	1,802,529	44,356
Total expenditures	<u>4,161,732</u>	<u>5,190,617</u>	<u>5,122,498</u>	<u>68,119</u>
Net change in fund balances	<u>(429,517)</u>	<u>(1,458,402)</u>	<u>(1,477,153)</u>	<u>(18,751)</u>
Fund balances - beginning	<u>2,538,180</u>	<u>2,538,180</u>	<u>2,538,180</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,108,663</u>	<u>\$ 1,079,778</u>	<u>\$ 1,061,027</u>	<u>\$ (18,751)</u>
Budget/GAAP Reconciliation				
Net change in fund balance, budget basis			\$ (1,477,153)	
To adjust revenues for accruals			114,572	
To adjust expenditures for accruals			(23,674)	
To adjust expenditures for encumbrances			879,988	
Net change in fund balance, GAAP basis			<u>\$ (506,267)</u>	

Downtown Development



South Bend Community School Corporation



NoMA Restaurant



Sit & Knit Yarn Cafe

South Bend is continuing to grow and develop, and nowhere is that more apparent than Downtown.

Already filled with great shops and restaurants, the downtown area is presenting shoppers and diners with even more exciting new choices. The past year saw the opening of Nicolas J. Salon, Sit and Knit Yarn Cafe, O'Sullivan's Crossing restaurant, the Spurious Fugitive Art Gallery, The Chicory Café, Club Fever, The Natural Way children's boutique, and the Cellar Door restaurant.

The growth of Downtown will continue in the coming year with new development projects like the opening of NoMA, an Asian fusion restaurant, and Sean O'Casey's, a Guinness Pub. The South Bend Chocolate Factory will expand into the former Osco building, while the South Bend Community School Corporation is currently renovating its new administration office space on St. Joseph Street. In April, Gameday Centers of Atlanta announced plans for a \$40 million new investment Downtown. Gameday will build a new 150-room condominium/hotel and parking garage adjacent to the College Football Hall of Fame. These projects and more continue to make Downtown an exciting place to be.

NONMAJOR ENTERPRISE FUNDS

Consolidated Building -	To account for the operation of the consolidated St. Joseph County/South Bend Building Department.
Parking Garage -	To account for the operation and maintenance of the City's parking garages.
Solid Waste -	To account for the provision of solid waste services.
Blackthorn Golf Course -	To account for the operation and maintenance of the City's Blackthorn Golf Course.

CITY OF SOUTH BEND
COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
December 31, 2005

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 187,560	\$ -	\$ 562,662	\$ 178,923	\$ 929,145
Interest receivable	-	-	-	859	859
Accounts receivable (net of allowance)	-	125	302,780	-	302,905
Accounts receivable - other	275	-	576	3,450	4,301
Inventories	-	-	-	9,596	9,596
Restricted assets:					
Cash, cash equivalents and investments:					
Revenue bond covenant accounts	-	-	-	1,272,849	1,272,849
Capital outlay accounts	-	-	42,909	-	42,909
Total current assets	187,835	125	908,927	1,465,477	2,562,364
Noncurrent assets:					
Deferred charges					
Unamortized debt issue costs	-	-	-	31,071	31,071
Unamortized loss on sale/leaseback	-	5,626,477	-	-	5,626,477
Total deferred charges	-	5,626,477	-	31,071	5,657,548
Capital assets:					
Land and construction in progress	-	1,132,020	-	448,469	1,580,489
Other capital assets (net of accumulated depreciation)	79,024	2,127,600	1,375,831	2,627,261	6,209,716
Total capital assets	79,024	3,259,620	1,375,831	3,075,730	7,790,205
Total noncurrent assets	79,024	8,886,097	1,375,831	3,106,801	13,447,753
Total assets	266,859	8,886,222	2,284,758	4,572,278	16,010,117

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
December 31, 2005
(Continued)

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Liabilities					
Current liabilities:					
Accounts payable	5,312	81,384	119,485	9,799	215,980
Interfund payables:					
Interfund loans	-	827,315	-	1,439,500	2,266,815
Interfund services provided and used	2,169	-	110,952	179	113,300
Accrued payroll and withholdings payable	14,526	-	27,596	-	42,122
Compensated absences payable	45,864	-	65,317	-	111,181
Current liabilities payable from restricted assets:					
Revenue bonds payable	-	-	-	445,000	445,000
Capital leases payable	-	-	348,477	-	348,477
Accrued interest payable	-	-	19,309	65,287	84,596
Total current liabilities	67,871	908,699	691,136	1,959,765	3,627,471
Noncurrent liabilities:					
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	-	-	3,601,179	3,601,179
Capital leases payable	-	-	1,230,405	-	1,230,405
Unamortized gain on sale/leaseback	-	28,733	-	-	28,733
Total noncurrent liabilities	-	28,733	1,230,405	3,601,179	4,860,317
Total liabilities	67,871	937,432	1,921,541	5,560,944	8,487,788
Net Assets					
Invested in capital assets, net of related debt	79,024	3,259,620	726,800	(970,449)	3,094,995
Restricted for debt service	-	-	-	1,207,362	1,207,362
Reserved for capital asset outlays	-	-	42,909	-	42,909
Unrestricted	119,964	4,689,170	(406,492)	(1,225,579)	3,177,063
Total net assets	\$ 198,988	\$ 7,948,790	\$ 363,217	\$ (988,666)	\$ 7,522,329

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2005

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Operating revenues:					
Licenses and permits	\$ 1,125,312	\$ -	\$ -	\$ -	\$ 1,125,312
Parking fees	-	763,581	-	-	763,581
Solid waste fees	-	-	3,764,228	-	3,764,228
Golf course fees	-	-	-	1,546,244	1,546,244
Other	10,380	2,744	97,780	271	111,175
Total operating revenues	1,135,692	766,325	3,862,009	1,546,515	7,310,541
Operating expenses:					
Operating and maintenance	1,016,322	-	4,513,421	1,267,717	6,797,460
Administrative and general expense:	13,729	523,046	242,849	89,328	868,952
Depreciation	16,956	82,116	111,411	151,167	361,650
Total operating expenses	1,047,007	605,162	4,867,681	1,508,212	8,028,062
Operating income (loss)	88,685	161,163	(1,005,672)	38,303	(717,521)
Nonoperating revenues (expenses):					
Interest and investment revenue	2,975	-	14,363	34,578	51,916
Interest expense	-	-	(52,783)	(224,392)	(277,175)
Amortization expense	-	(560,340)	-	(4,335)	(564,675)
Total nonoperating revenue (expenses)	2,975	(560,340)	(38,420)	(194,149)	(789,934)
Income (loss) before contributions and transfers	91,660	(398,177)	(1,044,092)	(155,846)	(1,507,455)
Transfers out	-	-	-	(33,589)	(33,589)
Change in net assets	91,660	(398,177)	(1,044,092)	(189,435)	(1,541,044)
Total net assets - beginning	107,328	8,347,967	1,407,309	(799,231)	9,063,373
Total net assets - ending	\$ 198,988	\$ 7,948,790	\$ 363,217	\$ (988,666)	\$ 7,522,329


CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2005

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,137,092	\$ 766,222	\$ 3,795,109	\$ 1,546,065	\$ 7,244,488
Receipts from interfund services provided	-	-	124,214	-	124,214
Payments to suppliers	(48,269)	(460,659)	(1,864,295)	(1,311,075)	(3,684,298)
Payments to employees	(753,845)	-	(1,147,390)	-	(1,901,235)
Payments for interfund services used	(225,673)	(52,137)	(662,501)	(35,961)	(976,272)
Net cash provided by operating activities	109,305	253,426	245,137	199,029	806,897
Cash flows from noncapital financing activities:					
Advances from other funds	-	512,796	-	488,000	1,000,796
Repayment of advances from other funds	-	(766,222)	-	-	(766,222)
Transfers to other funds	-	-	-	(33,589)	(33,589)
Net cash provided (used) by noncapital financing activities	-	(253,426)	-	454,411	200,985
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	-	-	(18,534)	(18,534)
Principal paid on capital debt	-	-	(339,158)	(430,000)	(769,158)
Interest paid on capital debt	-	-	(38,298)	(205,105)	(243,403)
Net cash used by capital and related financing activities	-	-	(377,456)	(653,639)	(1,031,095)
Cash flows from investing activities:					
Interest received	3,159	-	16,089	38,424	57,672
Net increase (decrease) in cash and cash equivalents	112,464	-	(116,230)	38,225	34,459
Cash and cash equivalents, January 1 (Including \$1,257,919 and \$2,187 for the revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	75,096	-	721,801	1,413,347	2,210,244
Cash and cash equivalents, December 31 (Including \$1,272,649 and \$42,909 for the revenue bond covenants and capital outlays, respectively, reported in restricted accounts)	\$ 187,560	\$ -	\$ 605,571	\$ 1,451,572	\$ 2,244,703

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2005
(Continued)

	Consolidated Building	Parking Garage	Solid Waste	Blackthorn Golf Course	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 88,685	\$ 161,163	\$ (1,005,672)	\$ 38,303	\$ (717,521)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	16,956	82,116	111,411	151,167	361,650
Bad debt expense	-	-	41,751	-	41,751
Lease proceeds used for purchase of noncapital equipment	-	-	1,024,984	-	1,024,984
(Increase) decrease in assets:					
Accounts receivable	-	(103)	(48,038)	-	(48,141)
Other accounts receivable	1,400	-	(576)	(450)	374
Interfund receivable	-	-	15,015	-	15,015
Inventories	-	-	-	20,483	20,483
Increase (decrease) in liabilities:					
Accounts payable	4,358	10,250	(2,488)	(8,105)	4,015
Interfund payable	(798)	-	82,610	(2,369)	79,443
Accrued payroll payable	400	-	10,349	-	10,749
Compensated absence payable	(1,696)	-	15,791	-	14,095
Total adjustments	20,620	92,263	1,250,809	160,726	1,524,418
Net cash provided by operating activities	\$ 109,305	\$ 253,426	\$ 245,137	\$ 199,029	\$ 806,897
Noncash investing, capital and financing activities:					
Capital assets acquired by lease	\$ -	\$ -	\$ 546,621	\$ -	\$ 546,621



SOUTH BEND



Technology

Mayor Steve Luecke



INTERNAL SERVICE FUNDS

Liability Insurance
Premium Reserve -

To account for expenses related to maintaining the City's self-funded liability insurance including administrative costs, claims and premiums. Funding is provided by assessments to certain other City funds.

Self-Funded Employee
Benefits -

To account for employer and employees' contributions for a medical insurance plan.

Central Services -

To account for expenses related to fuel, vehicle repairs and various supplies provided to City departments on a cost-reimbursement basis.

CITY OF SOUTH BEND
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
December 31, 2005

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,284,411	\$ 1,352,921	\$ -	\$ 3,637,332
Interest receivable	-	1,053	-	1,053
Accounts receivable	-	1,057,045	2,599	1,059,644
Interfund receivables:				
Interfund services provided and used	-	-	450,824	450,824
Intergovernmental receivables	-	-	23,979	23,979
Inventories	-	-	902,051	902,051
Prepaid items	15,148	-	-	15,148
Total current assets	2,299,559	2,411,019	1,379,453	6,090,031
Capital assets:				
Other capital assets (net of accumulated depreciation)	-	-	1,482,882	1,482,882
Total assets	2,299,559	2,411,019	2,862,335	7,572,913
Liabilities				
Current liabilities:				
Accounts payable	28,604	342,456	234,429	605,489
Interfund payables:				
Interfund loans	-	-	691,192	691,192
Interfund services provided and used	4	114	1,105	1,223
Accrued payroll and withholdings payable	2,057	1,623	36,397	40,077
Compensated absences	3,113	4,277	108,712	116,102
Estimate of unfilled claims	361,107	492,108	-	853,215
Total liabilities	394,885	840,578	1,071,835	2,307,298
Net Assets				
Invested in capital assets, net of related debt	-	-	1,482,882	1,482,882
Unrestricted	1,904,674	1,570,441	307,618	3,782,733
Total net assets	\$ 1,904,674	\$ 1,570,441	\$ 1,790,500	\$ 5,265,615

CITY OF SOUTH BEND
COMBINING STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Total
Operating revenues:				
Employee/employer contributions	\$ 2,296,243	\$ 11,366,843	\$ -	\$ 13,663,086
Charges for sales and services	-	-	2,691,084	2,691,084
Total operating revenues	2,296,243	11,366,843	2,691,084	16,354,170
Operating expenses:				
Operation and maintenance	189,986	-	2,475,039	2,665,025
Administration	-	399,846	266,322	666,168
Insurance claims and premiums	1,928,113	10,107,876	-	12,035,989
Depreciation	-	-	79,855	79,855
Total operating expenses	2,118,099	10,507,722	2,821,216	15,447,037
Operating income (loss)	178,144	859,121	(130,132)	907,133
Nonoperating revenues (expenses):				
Interest and investment revenue	51,688	58,769	-	110,457
Loss by health insurance administrator	-	(333,570)	-	(333,570)
Gain on disposition of assets	-	-	1,400	1,400
Total nonoperating revenue (expenses)	51,688	(274,801)	1,400	(221,713)
Change in net assets	229,832	584,320	(128,732)	685,420
Total net assets - beginning	1,674,842	986,121	1,919,232	4,580,195
Total net assets - ending	\$ 1,904,674	\$ 1,570,441	\$ 1,790,500	\$ 5,265,615

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
For the Year Ended December 31, 2005

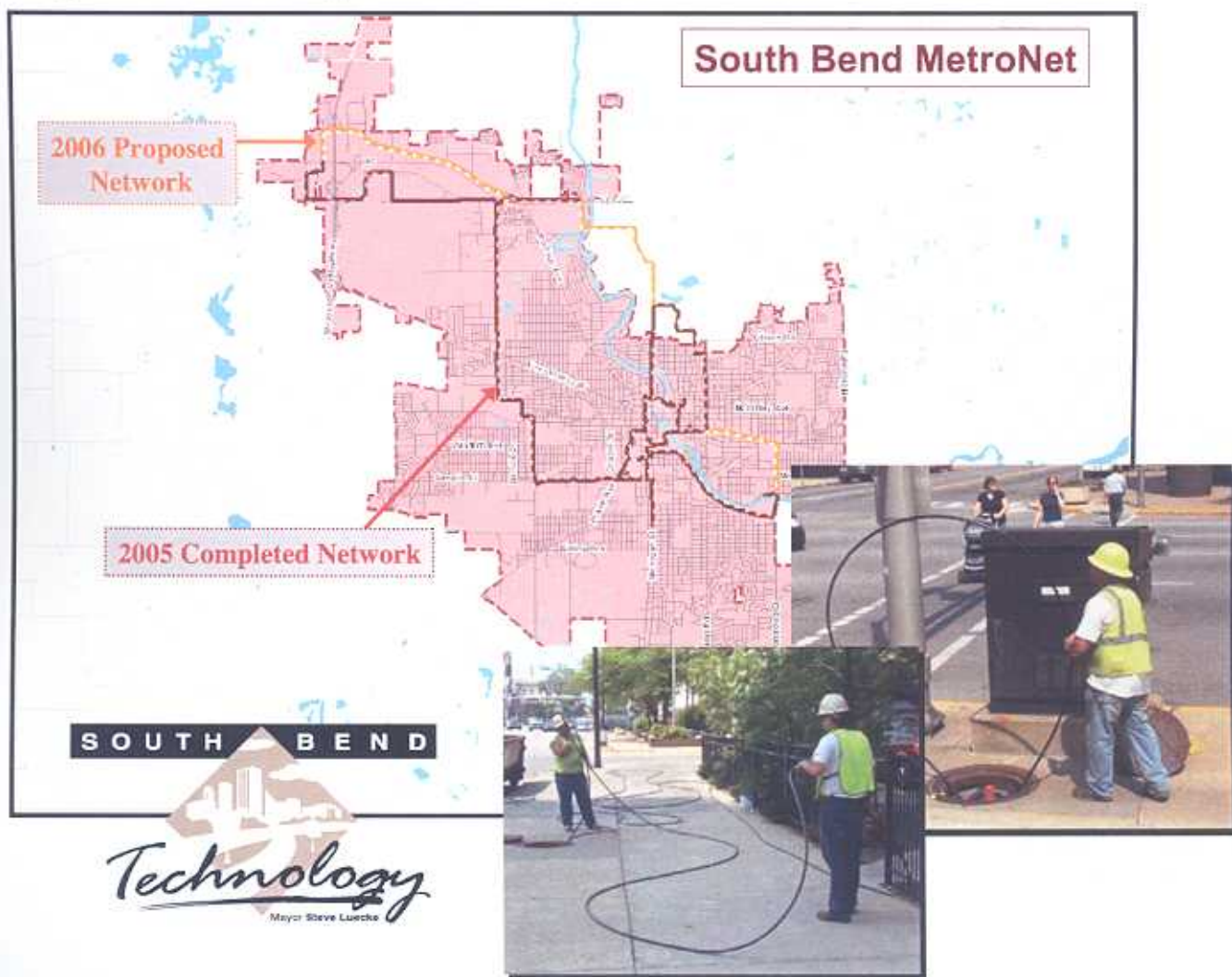
	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ -	\$ 1,870,582	\$ 48,817	\$ 1,919,399
Receipts from interfund services provided	2,296,243	9,496,261	2,520,654	14,313,158
Payments to suppliers	(2,346,893)	(11,630,173)	(513,427)	(14,490,493)
Payments to employees	(87,317)	(77,380)	(1,852,619)	(2,017,316)
Payments for interfund services used	(53,431)	(248,423)	(508,065)	(810,919)
Net cash used by operating activities	(191,398)	(590,133)	(304,640)	(1,086,171)
Cash flows from noncapital financing activities:				
Interfund loan	-	-	6,334,868	6,334,868
Interfund loan repaid	-	-	(6,031,628)	(6,031,628)
Net cash provided by noncapital financing activities	-	-	303,240	303,240
Cash flows from capital and related financing activities:				
Sale of capital assets	-	-	1,400	1,400
Cash flows from investing activities:				
Interest received	57,359	61,415	-	118,774
Net decrease in cash and cash equivalents	(134,039)	(528,718)	-	(662,757)
Cash and cash equivalents, January 1	2,418,450	1,881,639	-	4,300,089
Cash and cash equivalents, December 31	\$ 2,284,411	\$ 1,352,921	\$ -	\$ 3,637,332

Continued on next page

CITY OF SOUTH BEND
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND
For the Year Ended December 31, 2005
(Continued)

	Liability Insurance Premium Reserve	Self- Funded Employee Benefits	Central Services	Total
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ 178,144	\$ 859,121	\$ (130,132)	\$ 907,133
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation expense	-	-	79,855	79,855
(Increase) decrease in assets:				
Accounts receivable	-	(1,057,045)	(2,599)	(1,059,644)
Intergovernmental receivables	-	-	3,368	3,368
Interfund receivables	-	-	(122,382)	(122,382)
Inventories	-	-	(235,240)	(235,240)
Prepaid items	13,668	-	-	13,668
Increase (decrease) in liabilities:				
Accounts payable	11,601	342,066	99,673	453,340
Interfund payables	(98)	72	480	454
Accrued payroll payable	447	53	2,329	2,829
Compensated absences payable	(46)	(123)	8	(161)
Estimated unfilled claims	(395,114)	(400,707)	-	(795,821)
Nonoperating expenses	-	(333,570)	-	(333,570)
Total adjustments	(369,542)	(1,449,254)	(174,508)	(1,993,304)
Net cash used by operating activities	\$ (191,398)	\$ (590,133)	\$ (304,640)	\$ (1,086,171)
Noncash investing, capital and financing activities:				
Capital asset disposals	\$ -	\$ -	\$ 11,700	\$ 11,700

St. Joe Valley MetroNet



The MetroNet, a state-of-the-art 40 mile loop of high-bandwidth fiber optic cable, was installed in existing City conduit to connect businesses, medical centers, universities, and public institutions to each other. Through vast tracts of transcontinental fiber lines, it also connects South Bend users to institutions throughout the world. The Metronet contributes to making South Bend a technologically competitive city, which will help to retain businesses as well as attract new investment and high tech jobs. In addition, it makes access to broadband services more affordable by fostering competition, positioning South Bend as the most economical and accessible location for broadband services, and bringing savings and enhancing operations for local businesses and institutions.

FIDUCIARY FUNDS

Pension trust funds

- 1925 Police Pension - To account for the provision of retirement and disability benefits to police officers hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state pension relief distributions, and a specific annual property tax levy.
- 1937 Firefighters' Pension - To account for the provision of retirement and disability benefits to firefighters hired prior to May 1, 1977. Financing is provided by mandatory contributions by active members, state pension relief distributions, and a specific annual property tax levy.

Agency fund

- Payroll - To account for the payroll of City employees and pension benefits of the Police and Firefighters' Pension Funds. Gross payroll and pension benefits are treated as expenditures in other City funds and transferred into this fund, which serves as a clearing account.

CITY OF SOUTH BEND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS
December 31, 2005


	1925 Police Pension	1937 Firefighters' Pension	Total Pension Trust Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 842,625	\$ 1,547,957	\$ 2,390,582
Receivables:			
Taxes	193,485	215,427	408,912
Intergovernmental	4,320	4,810	9,130
Total receivables	197,805	220,237	418,042
Total assets	1,040,430	1,768,194	2,808,624
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	87	-	87
Noncurrent liabilities:			
DROP payable - due within one year	153,198	258,910	412,108
DROP payable - long-term	803,586	959,829	1,763,415
Total noncurrent liabilities	956,784	1,218,739	2,175,523
Total liabilities	956,871	1,218,739	2,175,610
<u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits	\$ 83,559	\$ 549,455	\$ 633,014

CITY OF SOUTH BEND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2005

	1925 Police Pension	1937 Firefighters' Pension	Total Pension Trust Funds
<u>Additions</u>			
Contributions:			
Employer	\$ 4,275,696	\$ 4,136,726	\$ 8,412,422
Plan members	62,936	38,891	101,827
Other	4,795	1,775	6,570
Total contributions	<u>4,343,427</u>	<u>4,177,392</u>	<u>8,520,819</u>
Net Investment income:			
Interest	<u>116,105</u>	<u>122,376</u>	<u>238,481</u>
Total additions	<u>4,459,532</u>	<u>4,299,768</u>	<u>8,759,300</u>
<u>Deductions</u>			
Benefits	5,262,782	4,578,073	9,840,855
Administrative expense	<u>27,923</u>	<u>12,884</u>	<u>40,807</u>
Total deductions	<u>5,290,705</u>	<u>4,590,957</u>	<u>9,881,662</u>
Changes in net assets	(831,173)	(291,189)	(1,122,362)
Net assets - beginning	<u>914,732</u>	<u>840,644</u>	<u>1,755,376</u>
Net assets - ending	<u>\$ 83,559</u>	<u>\$ 549,455</u>	<u>\$ 633,014</u>

CITY OF SOUTH BEND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AGENCY FUND
For the Year Ended December 31, 2005

	Payroll
Assets:	
Cash and cash equivalents, January 1	\$ 1,042,663
Additions	84,867,623
Deductions	<u>(84,774,872)</u>
Total assets, December 31	<u>\$ 1,135,414</u>
Liabilities	
Accrued payroll and withholdings payable, January 1	\$ 1,042,663
Additions	84,867,623
Deductions	<u>(84,774,872)</u>
Total liabilities, December 31	<u>\$ 1,135,414</u>



SOUTH BEND



Clean City

Mayor Steve Luecke



STATISTICAL SECTION
(Not Covered by Auditor's Opinion)

CITY OF SOUTH BEND, INDIANA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
TEN YEAR HISTORICAL TREND INFORMATION

Fiscal Year	General Government	Public Safety	Highways and Streets	Health & Welfare	Culture & Recreation	Debt Service	Urban Redevelopment and Housing	Capital Outlay	TOTAL
1996	\$ 5,807,057	\$ 25,816,382	\$ 9,865,081	\$ 254,139	\$ 9,548,116	\$ 5,916,759	\$ 5,880,821	\$ 9,660,265	\$ 72,748,620
1997	5,555,467	29,219,564	12,402,630	57,750	9,768,438	5,013,866	5,837,374	11,013,723	78,868,812
1998	5,492,450	31,117,048	9,941,076	60,000	9,259,081	4,120,682	7,309,229	21,154,637	88,454,203
1999	5,086,242	33,981,313	11,339,275	60,000	10,049,811	4,641,072	6,330,843	24,575,255	96,063,811
2000	7,005,016	36,129,147	13,933,251	65,000	11,173,165	6,851,446	6,809,340	18,423,497	100,389,862
2001	6,968,517	38,687,286	14,064,377	65,000	12,864,397	7,916,470	8,269,097	14,937,077	103,772,221
2002	* 18,993,619	39,472,841	14,927,951	75,000	13,202,269	8,821,402	18,522,328	0 *	114,015,410
2003	* 17,675,007	50,174,694	7,499,367	75,000	13,623,863	14,615,166	20,461,991	0 *	124,125,088
2004	* 17,685,211	58,659,368	12,638,026	75,000	14,972,495	10,885,375	18,147,298	0 *	133,062,773
2005	* 16,241,283	53,868,398	9,874,281	75,000	15,360,580	12,868,273	22,425,825	0 *	130,713,640

Includes all Governmental Fund Types and Expendable Trust Funds

* 2002 is the first year the City has implemented GASB 34. Under the new reporting model capital outlay has now been distributed to the corresponding programs.

**CITY OF SOUTH BEND, INDIANA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
TEN YEAR HISTORICAL TREND INFORMATION**

Fiscal Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	TOTAL
1996	\$ 49,383,980	\$ 157,310	\$ 10,359,268	\$ 6,651,705	\$ 81,519	\$ 1,857,051	\$ 4,012,731	\$ 72,503,564
1997	48,960,036	168,372	13,278,474	8,192,372	171,242	2,345,052	3,231,567	76,347,115
1998	55,898,999	183,921	12,959,011	9,766,032	215,956	3,082,884	3,322,055	85,428,858
1999	57,444,633	188,405	15,271,114	10,448,053	311,897	3,032,613	3,365,109	90,061,824
2000	61,112,886	307,343	13,050,812	11,421,491	245,093	3,873,788	6,102,643	96,114,056
2001	68,572,472	245,894	11,987,614	12,716,474	126,515	2,571,772	3,711,786	99,932,527
2002	* 73,697,617	236,267	20,859,845	13,187,884	203,837	1,559,320	3,287,910	113,032,680
2003	* 80,533,464	212,261	19,873,378	14,030,134	264,704	1,124,825	2,977,325	119,016,091
2004	* 75,289,946	223,006	17,968,454	15,187,711	302,376	1,668,050	2,732,127	113,371,670
2005	* 78,650,044	246,780	18,665,828	15,293,779	245,680	3,453,469	10,791,555	127,347,135

Includes all Governmental Fund Types and Expendable Trust Funds

* Revenue is now classified under the GASB 34 the new reporting model.

**CITY OF SOUTH BEND, INDIANA
TOTAL COIT LEVY BY TAXING UNIT**

Dollar Amounts

Unit of Government	2005 Levy	2004 Levy	2003 Levy	2002 Levy
County Unit	\$ 71,835,696	\$ 72,868,033	\$ 59,685,771	\$ 64,834,522
Township	8,483,212	8,515,503	6,452,254	5,751,794
South Bend Civil City	59,307,802	58,184,100	52,252,685	50,334,325
Other Corporations	22,669,083	22,587,302	20,898,387	20,157,082
Libraries	14,741,486	14,436,404	12,813,488	11,347,270
Special District	10,471,373	11,758,391	7,601,100	7,591,989
Total	<u>\$ 187,508,652</u>	<u>\$ 188,349,734</u>	<u>\$ 159,703,686</u>	<u>\$ 160,016,982</u>

Percentage of Aggregate Levy

Unit of Government	2005 Levy	2004 Levy	2003 Levy	2002 Levy
County Unit	38.31%	38.69%	37.37%	40.52%
Township	4.52%	4.52%	4.04%	3.59%
South Bend Civil City	31.63%	30.89%	32.72%	31.46%
Other Corporations	12.09%	11.99%	13.09%	12.60%
Libraries	7.86%	7.66%	8.02%	7.09%
Special District	5.58%	6.24%	4.76%	4.74%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**CITY OF SOUTH BEND, INDIANA
PROPERTY TAX LEVIES AND COLLECTIONS
TEN YEAR HISTORICAL TREND INFORMATION**

Tax Year/ Collection Year	Current Tax Levy	Current Tax Collections	Current Tax Collections as a Percent of Tax Levy	Delinquent Tax & Penalty Collections	Total Tax Collections	Total Tax Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Tax Levy
1993/1994	\$ 29,144,757	\$ 27,952,717	95.91%	\$ 1,590,953	\$ 29,543,670	101.37%	\$ 2,121,757	7.28%
1994/1995	31,002,221	29,829,614	96.22%	1,791,981	31,621,595	102.00%	1,947,075	6.28%
1995/1996	40,317,346 *	38,893,898 *	96.47%	911,254	39,805,152	98.73%	1,550,523	3.85%
1996/1997	41,101,053 *	39,142,126 *	95.23%	670,157	39,812,283	96.86%	3,104,937	7.55%
1997/1998	43,117,846 *	41,251,054 *	95.67%	1,493,344	42,744,398	99.13%	2,875,266	6.67%
1998/1999	45,509,370 *	43,263,712 *	95.07%	1,425,712	44,689,424	98.20%	3,422,224	7.52%
1999/2000	47,658,495 *	44,930,534 *	94.28%	1,638,076	46,568,609	97.71%	4,101,099	8.61%
2000/2001	53,823,245 *	50,904,463 *	94.58%	1,332,888	52,237,350	97.05%	4,582,962	8.51%
2001/2002	52,762,157 *	49,330,749 *	93.50%	1,789,947	51,120,697	96.89%	5,083,451	9.63%
2002/2003	58,326,066 *	53,726,528 *	92.11%	2,928,994	56,655,522	97.14%	6,203,521	10.64%
2003/2004	59,875,358 *	56,031,449 *	93.58%	2,914,419	58,945,867	98.45%	6,189,942	10.34%
2004/2005	60,833,109 *	56,114,865 *	92.24%	2,335,278	58,450,143	96.08%	8,093,237	13.30%

* Total taxes levied and collected include both Homestead Tax Credits and State Property Tax Replacement Credits. Prior to 1996 these credits were not included in the above information.

CITY OF SOUTH BEND, INDIANA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
TEN YEAR HISTORICAL TREND INFORMATION

Tax Year/ Collection Year	Real Property			Personal Property			Utilities			TOTAL	
	Assessed Value	Estimated Value	Assessed Value	Assessed Value	Estimated Value	Assessed Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	
1994/1995	\$ 450,571,020	\$ 1,351,713,060	\$ 155,508,460	\$ 466,525,380	\$ 80,838,150	\$ 26,946,050	\$ 80,838,150	\$ 633,025,530	\$ 1,899,076,590		
1995/1996	416,771,801	1,250,315,403	168,912,208	506,736,624	70,761,090	23,587,030	70,761,090	609,271,039	1,827,813,117		
1996/1997	412,196,114	1,236,588,342	175,914,981	527,744,943	71,203,800	23,734,600	71,203,800	611,845,695	1,835,537,085		
1997/1998	414,421,223	1,243,263,669	181,879,676	545,639,028	68,552,550	22,850,850	68,552,550	619,151,749	1,857,455,247		
1998/1999	418,589,739	1,255,769,217	183,410,077	550,230,231	71,423,490	23,807,830	71,423,490	625,807,646	1,877,422,938		
1999/2000	417,107,034	1,251,321,102	203,975,332	611,925,996	76,650,690	25,550,230	76,650,690	646,632,596	1,939,897,788		
2000/2001	421,717,995	1,265,153,985	201,409,514	604,228,542	78,444,900	26,148,300	78,444,900	649,275,809	1,947,827,427		
2001/2002*	1,272,814,731	3,818,444,193	600,021,966	1,800,065,898	257,994,390	85,998,130	257,994,390	1,938,834,827	5,876,504,481		
2002/2003*	2,320,892,057	6,962,676,171	573,145,357	1,719,436,071	222,195,600	74,065,200	222,195,600	2,968,102,614	8,904,307,842		
2003/2004*	2,215,693,906	6,647,081,718	489,027,130	1,467,081,390	309,387,930	103,129,310	309,387,930	2,807,850,346	8,423,551,038		
2004/2005*	2,179,070,901	6,537,212,703	534,229,647	1,602,688,941	316,812,810	105,604,270	316,812,810	2,818,904,818	8,456,714,454		

Obtained from St. Joseph County Auditor's office.

Real property was reassessed effective in 1989 payable in 1990, 1995 payable in 1996 and again in 2002 payable 2003.

* The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.

CITY OF SOUTH BEND, INDIANA
DETAIL OF NET ASSESSED VALUATION
(For the Year 2004 Payable 2005)

	South Bend Centre Twp	South Bend Clay Twp	South Bend German Twp	South Bend Penn Twp	South Bend Warren Twp	South Bend Portage Twp	TOTALS
Value of land	\$ 80,136,080	\$ 16,344,800	\$ 62,805,190	\$ 11,796,120	1,614,700	\$ 380,875,560	\$ 553,572,450
Value of improvements	379,854,620	85,089,800	361,649,950	63,827,700	17,855,000	2,302,657,660	3,210,934,730
Total value of real estate	459,990,700	101,434,600	424,455,140	75,623,820	19,469,700	2,683,533,220	3,764,507,180
Less: Mortgage, veterans, blind, age 65 & other exemptions	-105,874,435	-19,602,715	-35,080,730	-5,307,120	0	-651,823,416	-817,688,416
Tax-exempt property	-47,866,600	-8,539,020	-22,551,520	-9,790,220	0	-279,909,952	-368,657,312
Tax increment financing	-3,132,610	0	-155,196,946	0	-3,597,096	-95,981,959	-257,908,611
Rehab, Urban Dev or Revit	-15,605,530	0	-48,870,760	-2,768,400	-15,740,590	-58,196,660	-141,181,940
Net value of real estate	287,511,525	73,292,865	162,755,184	57,758,080	132,014	1,597,621,233	2,179,070,901
Gross personal property assessments	38,754,582	8,941,980	205,488,251	1,479,150	10,011,282	424,744,120	689,419,365
Less: Exemptions / Deductions	-988,550	0	-10,344,788	0	0	-38,393,860	-49,727,198
Tax-exempt property	-1,555,350	-79,390	-4,369,210	-379,550	0	-87,409,020	-93,792,520
Tax increment financing	0	0	0	0	0	-11,670,000	-11,670,000
Net value of personal property	36,210,682	8,862,590	190,774,253	1,099,600	10,011,282	287,271,240	534,229,647
Net assessed value of utilities	6,692,540	2,930,580	11,944,300	789,260	0	83,247,590	105,604,270
Total net assessed valuation	\$ 330,414,747	\$ 85,086,035	\$ 365,473,737	\$ 59,646,940	10,143,296	\$ 1,968,140,063	\$ 2,818,904,818

Obtained from St. Joseph County Auditor's Office.

CITY OF SOUTH BEND, INDIANA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
TEN YEAR HISTORICAL TREND INFORMATION

Tax Year/ Collection Year	Population*	Assessed Value	Debt Service		Net		Percent of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
			Gross Bonded Debt	Monies Available	Bonded Debt	Net Bonded Debt		
1994/1995	105,511	633,025,530	4,600,000	100,000	4,500,000	4,500,000	0.71%	42.65
1995/1996	105,511	609,271,039	4,500,000	100,000	4,400,000	4,400,000	0.72%	41.70
1996/1997	102,100	611,845,695	4,530,000	220,000	4,310,000	4,310,000	0.70%	42.21
1997/1998	102,100	619,151,749	4,085,000	230,000	3,855,000	3,855,000	0.62%	37.76
1998/1999	99,417	625,807,646	3,620,000	240,000	3,380,000	3,380,000	0.54%	34.00
1999/2000	107,789	646,632,596	3,135,000	255,000	2,880,000	2,880,000	0.45%	26.72
2000/2001	107,789	649,275,809	2,620,000	265,000	2,355,000	2,355,000	0.36%	21.85
2001/2002	106,558	1,948,862,000 **	2,085,000	275,000	1,810,000	1,810,000	0.09%	16.99
2002/2003	106,558	2,968,102,614 **	1,525,000	290,000	1,235,000	1,235,000	0.04%	11.59
2003/2004	105,494	2,807,850,346 **	935,000	305,000	630,000	630,000	0.02%	5.97
2004/2005	105,494	2,818,940,818 **	320,000	320,000	0	0	0.00%	0.00

* Population statistics obtained from the U.S. Census Bureau - estimates have been made every two years between 1990 and 2003.

** The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.

CITY OF SOUTH BEND, INDIANA
COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2005

CIVIL CITY

Net Assessed Valuation (2005 pay 2006) of Taxable Property in South Bend*	\$	939,634,939
Debt limit: 2% of net assessed value		18,792,699
Amount of debt applicable to limit:		
Total bonded debt subject to debt limit: EDIT Bonds	\$	8,660,000
Less: Cash on hand designated for debt service		<u>265,000</u>
Total debt applicable to debt limit		<u>8,395,000</u>
Legal debt margin - Civil City	\$	<u><u>10,397,699</u></u>

REDEVELOPMENT AUTHORITY

Net Assessed Valuation (2005 pay 2006) of Taxable Property in South Bend*	\$	939,634,939
Debt limit: 2% of net assessed value		18,792,699
Amount of debt applicable to limit:		
Total bonded debt subject to debt limit: Studebaker Bond	\$	320,000
Less: Cash on hand designated for debt service		<u>320,000</u>
Total debt applicable to debt limit		<u>0</u>
Legal debt margin - Redevelopment Authority	\$	<u><u>18,792,699</u></u>

*The 2005 pay 2006 assessed valuation is not available at time of printing. The amount calculated is an estimation.

A 2% debt limit is established by the Constitution of the State of Indiana. This limit is established for general obligation bonds, Economic Development Income Tax revenue bonds, tax revenue notes and other types of indebtedness. This limitation does not include revenue bonds payable from governmental funds (excluding EDIT bonds) shown in the general long term debt account group. Indiana law allows the creation of separate municipal corporations to provide vital governmental functions. Each of these municipal corporations (including the Redevelopment Authority and Redevelopment Commission) has its own 2% debt limit, even if they have the same or similar boundaries.

CITY OF SOUTH BEND, INDIANA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
TEN YEAR HISTORICAL TREND INFORMATION

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service To Total General Expenditures
1994	\$ 100,000	344,612	\$ 444,612	\$ 73,616,838	0.6
1995	100,000	336,518	436,518	78,273,727	0.6
1996	100,000	328,519	428,519	72,748,620	0.6
1997	320,000	282,010	602,010	78,868,812	0.8
1998	445,000	207,418	652,418	88,454,203	0.7
1999	465,000	188,173	653,173	96,063,811	0.7
2000	485,000	168,120	653,120	100,389,862	0.7
2001	515,000	145,830	660,830	103,772,221	0.6
2002	535,000	121,778	656,778	114,015,410	0.6
2003	560,000	96,260	656,260	124,125,088	0.5
2004	590,000	66,260	656,260	133,062,773	0.5

**CITY OF SOUTH BEND, INDIANA
SCHEDULE OF REVENUE BOND COVERAGE
WASTEWATER UTILITY BONDS
TEN YEAR HISTORICAL TREND INFORMATION**

Year	Gross Operating Revenue	Operating Expenses*	Net Revenue Available for Debt Service	Debt Service Requirements			Debt Coverage
				Principal	Interest	Total	
1995	\$ 12,429,477	\$ 7,321,788	\$ 5,107,689	\$ 465,000	\$ 447,757	\$ 912,757	560%
1996	12,236,891	6,461,915	5,774,976	480,000	486,459	966,459	598%
1997	12,536,805	6,432,719	6,104,086	500,000	410,838	910,838	670%
1998	12,584,026	6,577,011	6,007,015	515,000	389,838	904,838	664%
1999	12,502,608	7,163,295	5,339,313	560,000	366,663	926,663	576%
2000	12,625,139	7,626,129	4,999,010	575,000	341,463	916,463	545%
2001	12,388,161	7,801,488	4,586,673	0 **	682,782	682,782	672%
2002	12,096,411	7,618,883	4,477,528	655,000	238,963	893,963	501%
2003	12,415,376	8,175,595	4,239,781	680,000	185,175	865,175	490%
2004	14,124,695	9,337,324	4,787,371	705,000	266,586	971,586	493%
2005	14,639,963	11,200,992	3,438,971	1,180,000	577,943	1,757,943	196%

* Operating expenses exclude depreciation and payment in lieu of taxes.

** The Sewage Works Revenue Bond was refunded in 2001.

CITY OF SOUTH BEND, INDIANA
SCHEDULE OF REVENUE BOND COVERAGE
WATER UTILITY BONDS
HISTORICAL TREND INFORMATION

Year	Gross Operating Revenue	Operating Expenses*	Net Revenue Available for Debt Service	Debt Service Requirements		Debt Coverage
				Principal	Interest	
1996	\$ 6,568,680	\$ 5,499,290	\$ 1,069,390	\$ 235,000	\$ 224,800	\$ 459,800 233%
1997	6,564,766	5,625,430	939,336	250,000	215,165	465,165 202%
1998	10,410,313	5,545,310	4,865,003	1,385,000	1,313,900	2,698,900 180%
1999	10,873,836	6,431,774	4,442,062	1,535,000	1,168,185	2,703,185 164%
2000	10,162,297	6,174,716	3,987,581	1,605,000	1,100,993	2,705,993 147%
2001	9,987,425	6,421,198	3,566,227	1,675,000	1,031,523	2,706,523 132%
2002	11,756,071	6,317,766	5,438,305	1,755,000	956,443	2,711,443 201%
2003	11,745,196	6,637,856	5,107,340	1,845,000	878,570	2,723,570 188%
2004	11,323,882	7,256,695	4,067,187	1,935,000	795,540	2,730,540 149%
2005	11,926,479	7,770,464	4,156,015	2,040,000	708,030	2,748,030 151%

* Operating expenses exclude depreciation and payment in lieu of taxes.

CITY OF SOUTH BEND, INDIANA
DETAIL OF CITY TAX RATE
TEN YEAR HISTORICAL TREND INFORMATION
(Per \$100 of Assessed Value)

	<u>1995/1996</u>	<u>1996/1997</u>	<u>1997/1998</u>	<u>1998/1999</u>	<u>1999/2000</u>	<u>2000/2001</u>	<u>2001/2002*</u>	<u>2002/2003*</u>	<u>2003/2004*</u>	<u>2004/2005*</u>
Components of City Tax Rate:										
Corporation General Fund	\$ 5.2136	\$ 5.3247	\$ 5.4927	\$ 5.7504	\$ 5.8440	6.1877	2.1304	1.5668	1.6871	1.6845
Park & Recreation Fund	0.8916	0.9082	0.9410	0.9851	0.9906	1.0442	0.3591	0.2647	0.2859	0.2902
Firefighters' Pension Fund	0.1644	0.1673	0.1733	0.1815	0.1825	0.1948	0.0669	0.0493	0.0532	0.0540
Police Pension Fund	0.1636	0.1500	0.1555	0.1627	0.1636	0.1746	0.0600	0.0442	0.0477	0.0485
Cumulative Capital Development Fund	0.1196	0.1200	0.1500	0.1500	0.1500	0.1500	0.0287	0.0356	0.0376	0.0376
Morris Civic/Civic Center Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Park Bond Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total City rate	<u>\$ 6.5528</u>	<u>\$ 6.6702</u>	<u>\$ 6.9125</u>	<u>\$ 7.2297</u>	<u>\$ 7.3307</u>	<u>7.7513</u>	<u>2.6451</u>	<u>1.9606</u>	<u>2.1115</u>	<u>2.1148</u>

Real property was reassessed effective in 1989 payable in 1990, 1995 payable in 1996 and again in 2002 payable 2003.

* The 2001 tax rates payable in 2002 ("2001/2002") were established in March 2002 and are shown here for comparable purposes.

The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation.

This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.

CITY OF SOUTH BEND, INDIANA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
TEN YEAR HISTORICAL TREND INFORMATION
(Per \$100 of Assessed Valuation in the South Bend - Portage Taxing District)

Tax Year/ Collection Year	City	County	School Districts	Townships	Redevelopmt District	Library	Airport/ Transportation	State	TOTAL
1994/1995	\$ 5.8983	\$ 2.7700	\$ 5.1500	\$ 0.4030	\$ 0.1941	\$ 0.6674	\$ 0.4004	\$ 0.0100	\$ 15.4932
1995/1996	6.5528	2.9274	5.8055	0.0892	0.2085	0.7061	0.3539	0.0100	16.6534
1996/1997	6.6702	3.2256	5.8594	0.0920	0.0743	0.7106	0.3626	0.0100	17.0047
1997/1998	6.9125	3.0079	6.0293	0.0967	0.1255	0.6886	0.3722	0.0100	17.2427
1998/1999	7.2297	3.5002	5.8978	0.1020	0.0795	0.6933	0.4271	0.0100	17.9396
1999/2000	7.3307	3.1142	5.9365	0.2256	0.0954	0.7059	0.4213	0.0100	17.8396
2000/2001	7.7513	3.1402	6.3673	0.1123	0.3050	0.7366	0.4411	0.0100	18.8638
2001/2002(1)	2.6664	0.9473	2.1725	0.0382	0.0983	0.2496	0.1485	0.0033	6.3241
2002/2003(1)	1.9606	0.7366	1.4792	0.1122	0.0967	0.1686	0.1240	0.0033	4.6812
2003/2004(1)	2.1115	0.7652	1.6201	0.0923	0.1012	0.1830	0.1173	0.0024	4.9930
2004/2005(1)	2.1148	0.7831	1.5969	0.0276	0.0676	0.1854	0.1128	0.0024	4.8906

Obtained from the St. Joseph County Auditor's office.

NOTES:

- (1) The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.
- (2) Real property was reassessed effective in 1989 payable in 1990, 1995 payable in 1996 and again in 2002 payable 2003.
- (3) All tax rates exhibited are before deduction of 14.0% to 16.5% thereof for property tax relief funds provided from the State of Indiana tax sources and before deduction of homestead credits.

CITY OF SOUTH BEND, INDIANA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2005

	Gross Bonded Debt	Percentage Applicable to South Bend	Amount Applicable to South Bend	Debt Per Capita	Ratio of Debt/ Estimated Market Value
<u>Direct Debt:</u>					
City of South Bend					
General Obligation Bonds	\$ 320,000	100.00%	\$ 320,000		
Revenue Bonds*	107,765,000	100.00%	107,765,000		
First Mortgage Bonds	1,250,037	100.00%	1,250,037		
Total Direct Debt			109,335,037	\$ 1,036.41	3.9%
<u>Overlapping Debt:</u>					
St. Joseph County	\$ 82,220,000	30.52%	25,093,544		
St. Joseph County Public Library	2,915,000	51.03%	1,487,525		
South Bend Community Schools	200,983,702	53.81%	108,149,330		
Penn-Harris-Madison School Corp.	124,749,973	2.75%	3,430,624		
Mishawaka Penn Township Public Library	9,160,000	2.35%	215,260		
Total Overlapping Debt			138,376,283	1,311.70	4.9%
Total Direct and Overlapping Debt			\$ 247,711,320	\$ 2,348.11	8.8%

* Includes revenue bonds payable from governmental funds only (excludes revenue bonds payable from Enterprise Funds).

Per Capita and Debt Ratio Analysis
Population - 2004 US Census Bureau 105,494 **
Est. Net Assessed Valuation for 2004 payable 2005 \$ 2,818,904,818

** Population statistics obtained from the U.S. Census Bureau - estimates have been made every two years between 1990 and 2004.

**CITY OF SOUTH BEND, INDIANA
COUNTY INCOME TAX REVENUE
ANALYSIS OF HISTORICAL AND PROJECTED CERTIFIED DISTRIBUTIONS**

ECONOMIC DEVELOPMENT INCOME TAX (EDIT) REVENUE

Distribution Year	EDIT Tax Rate*	Total Est County EDIT Collections*	Rate of Growth	South Bend EDIT Distribution**	Rate of Growth	South Bend as a Percent of Total
2005	0.20%	8,984,150	-1.34%	3,464,152	0.45%	38.6%
2004	0.20%	\$ 9,106,517	-2.90%	\$ 3,448,688	-6.52%	37.9%
2003	0.20%	\$ 9,378,695	-36.14%	\$ 3,689,202	-32.47%	39.3%
2002	0.20%	14,687,146 ***	58.94%	5,462,867 ***	59.84%	37.2%
2001	0.20%	9,240,470	6.00%	3,417,763	10.06%	37.0%
2000	0.20%	8,717,424	5.62%	3,105,473	-1.61%	35.6%
1999	0.20%	8,253,561	5.15%	3,156,441	9.93%	38.2%
1998	0.20%	7,849,187	106.56%	2,871,297	95.86%	36.6%
1997	0.10%	3,800,000	7.28%	1,466,029	6.03%	38.6%
1996	0.10%	\$ 3,542,060	n/a	\$ 1,382,670	n/a	39.0%

* This tax was first enacted as of July 1, 1995 at the rate of 0.1% of City residents' adjusted gross income. The rate was increased to 0.2% effective July 1, 1997.

*** This years estimate includes a "catch-up" amount as a result of prior years conservative estimates. This increase is one time amount. Future years distributions will be closer to 2001 amounts.

COUNTY OPTION INCOME TAX (COIT) REVENUE

Distribution Year	COIT Tax Rate**	Total County COIT Collections**	Rate of Growth	South Bend COIT Distribution**	Rate of Growth	South Bend as a Percent of Total
2005	0.60%	\$ 16,628,131	-23.38%	\$ 5,490,218	-21.58%	33.0%
2004	0.60%	\$ 21,703,185	-8.14%	\$ 7,001,199	-12.65%	32.3%
2003	0.60%	\$ 23,625,717	-19.05%	\$ 8,015,301	-15.26%	33.9%
2002	0.60%	29,185,724	106.90%	9,458,584	110.57%	32.4%
2001	0.50%	14,106,045	92.53%	4,491,922	88.86%	31.8%
2000	0.40%	7,326,809	32.29%	2,378,487	40.02%	32.5%
1999	0.30%	5,538,599	134.53%	1,698,624	132.03%	30.7%
1998	0.20%	\$ 2,361,605	n/a	\$ 732,080	n/a	31.0%

** This tax was first enacted as of July 1, 1997 at the rate of 0.2% of City residents' adjusted gross income. The COIT rate increases 0.1% each year until it reaches 0.6% as of July 1, 2001. The above collections/distribution amounts are net of the additional 6% (1998), 7% (1999) and 8% (2000 and 2001) homestead credits that accompanied the passage of this income tax.

**CITY OF SOUTH BEND, INDIANA
DEMOGRAPHIC STATISTICS
TEN YEAR HISTORICAL TREND INFORMATION**

Year	Population	Percent Increase/ (Decrease)	Median Household Effective Buying Income*	Percent Increase/ (Decrease)	School Enrollment	Percent Increase/ (Decrease)	Unemployment	Percent Increase/ (Decrease)	Labor Force	Percent Increase/ (Decrease)	Percent of Labor Force Employed
1996	105,511	N/A	36,883	5.8%	26,045	1.0%	5,378	-1.0%	134,713	-2.2%	96%
1997	102,100	-3.2%	33,124	-10.2%	25,586	-1.8%	4,520	-16.0%	136,673	1.5%	97%
1998	102,100	N/A	35,249	6.4%	25,606	0.1%	3,799	-16.0%	135,971	-0.5%	97%
1999	99,417	-2.6%	34,203	-3.0%	25,805	0.8%	4,177	9.9%	134,368	-1.2%	97%
2000	107,789	8.4%	34,702	1.5%	25,910	0.4%	4,550	8.9%	134,598	0.2%	97%
2001	107,789	N/A	40,816	17.6%	26,238	1.3%	6,250	37.4%	135,360	0.6%	95%
2002	106,558	-1.1%	40,816	0.0%	27,768	5.8%	6,170	-1.3%	135,020	-0.3%	95%
2003	106,558	N/A	37,140	-9.0%	27,221	-2.0%	6,470	4.9%	137,040	1.5%	95%
2004	105,494	N/A	39,940	7.5%	27,611	1.4%	5,890	-9.0%	136,990	0.0%	96%
2005	105,494	N/A	37,971	-4.9%	22,021	-20.2%	7,116	20.8%	134,798	-1.6%	95%

* Includes all of St. Joseph County.

CITY OF SOUTH BEND, INDIANA
NEW CONSTRUCTION - NUMBER OF PERMITS AND PROPERTY VALUES
Last Ten Fiscal Years
(Dollar Amounts in 000's)

Year	Residential Number of Permits	Residential Value (in 000's)	Residential Value Increase/ (Decrease)	Commercial Number of Permits	Commercial Value (in 000's)	Public Utility Number of Permits	Public Utility Value (in 000's)	Manufacturing Number of Permits	Manufact Value (in 000's)	Commercial, Public Utility and Manufacturing Total Value (in 000's)	Total Value Increase/ (Decrease)
1996	117	11,505	57.7%	31	12,845	959	19,610	2	2,535	34,990	n/a
1997	120	10,687	-7.1%	27	40,985	868	18,706	2	6,500	66,191	89.2%
1998	143	13,586	27.1%	27	28,275	1,195	26,871	2	4,870	60,016	-9.3%
1999	186	19,119	40.7%	40	52,735	1,407	23,085	2	4,760	80,580	34.3%
2000	160	15,833	-17.2%	18	6,792	2,355	74,127	2	3,490	84,409	4.8%
2001	101	11,316	-28.5%	28	12,307	2,253	60,035	5	17,362	89,704	6.3%
2002	107	11,707	3.5%	24	35,810	2,222	47,710	2	2,475	85,995	-4.1%
2003	140	19,573	67.2%	28	13,280	1,822	42,435	2	375	56,090	-34.8%
2004	147	20,203	3.2%	20	24,340	2,823	50,910	3	847	76,097	35.7%
2005	166	25,123	24.4%	17	28,578	2,611	39,435	1	6,000	74,013	-2.7%

Obtained from the Consolidated City/County Building Department.

CITY OF SOUTH BEND, INDIANA
FINANCIAL INSTITUTION DATA
Last Ten Fiscal Years
(Amounts in 000's)

Year	Banks		Savings and Loans		Credit Unions		Total Deposits in Financial Institutions Amount	Percent Increase/ (Decrease)
	Number of Branches	Deposits at June 30	Number of Branches	Deposits at June 30	Number of Branches	Deposits at June 30		
1996	36	\$ 1,274,544	9	\$ 313,795	9	\$ 794,437	2,382,776	-6.3%
1997	33	1,386,678	9	278,628	9	827,635	2,492,941	4.6%
1998	31	1,556,550	7	269,054	10	1,001,584	2,827,188	13.4%
1999	31	1,571,337	9	336,305	11	1,064,852	2,972,494	5.1%
2000	33	1,634,983	9	287,561	11	1,174,357	3,096,901	4.2%
2001	34	1,688,493	11	239,588	10	1,223,040	3,151,121	1.8%
2002	34	1,671,954	11	230,681	10	1,365,450	3,268,085	3.7%
2003	27	1,669,112	10	199,232	16	1,553,939	3,422,283	4.7%
2004	30	1,400,529	10	200,558	16	1,684,765	3,285,852	-4.0%
2005	30	2,046,601	10	195,445	16	1,798,313	4,040,359	23.0%

FINANCIAL INSTITUTIONS LOCATED IN SOUTH BEND, INDIANA
2005

	Banks		Savings and Loans		Credit Unions	
1st Source Bank	\$	1,151,300	62%	Standard Federal Bank	\$	1,193,608
Key Bank		349,843	19%	MFB Financial		323,562
Wells Fargo		123,450	7%			158,754
National City Bank		122,886	7%			
Others (less than 2% total deposits in each)		103,677	6%			

**CITY OF SOUTH BEND, INDIANA
CITY'S TEN LARGEST TAXPAYERS
December 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 pay 2005 Assessed Value</u>	<u>Percentage of Total Assessed Valuation</u>
Maple Lane Apartments	Apartments & Real Estate	57,087,800	2.03%
Edward Rose of Indiana	Apartments & Real Estate	\$ 40,418,500	1.44%
Walnut Grove Mutual Housing Corp	Apartments & Real Estate	33,450,900	1.19%
Can-American South Bend Limited	Apartments & Real Estate	12,386,000	0.44%
Dwellco II Limited Partnership	Apartments & Real Estate	11,131,000	0.40%
Honeywell (formerly Allied Signal)	Airplane & Auto Parts	10,686,900	0.38%
Ameritech	Communication	10,563,700	0.38%
Meijer Stores Limited Partnership	Department Store	9,329,400	0.33%
Amico Turtle Creek	Apartments & Real Estate	9,239,000	0.33%
Wal Mart Real Estate Business Trust	Department Store	9,189,400	0.33%
Total Net Assessed Value for the Ten Largest Taxpayers		<u>\$ 203,482,600</u>	7.25%
Total Net Assessed Value for the City - 2003 pay 2004		<u>\$ 2,807,850,346 *</u>	100.00%

* The 2001 pay 2002 tax rates were converted by current state legislation from 33% to 100% of assessed valuation. This conversion will have no affect on total dollars. Assessed values will increase and tax rates will decrease.

Obtained from St. Joseph County Auditor's office.

CITY OF SOUTH BEND, INDIANA
CITY'S TEN LARGEST WATER CUSTOMERS
December 31, 2005

Name	2005 Revenue	Percentage of		Usage CCF*
		Total Water	Operating	
		Revenue	Revenue	
Allied Signal Aerospace Company	\$ 180,132	1.46%		266,684
South Bend Community Schools	143,653	1.16%		99,236
Memorial Health Systems	100,413	0.81%		129,669
Bosch Braking System	90,743	0.74%		92,121
St. Joseph's Care Group	47,071	0.38%		55,179
Aramark Uniform Services Inc.	35,806	0.29%		56,252
Steel Warehouse	25,756	0.21%		31,440
Federal Mogul South Bend Inc	20,380	0.17%		29,650
Countryside Association	17,860	0.14%		25,274
Valley American Limited Partnership	16,895	0.14%		23,710
Total of Ten Largest Water Customers	\$ 678,709	5.50%		
Total for Operating Revenue for Water Works	\$ 12,337,055	100.00%		

*Hundreds of Cubic Feet

CITY OF SOUTH BEND, INDIANA
CITY'S TEN LARGEST SEWAGE WORKS CUSTOMERS
December 31, 2005

Name	2005 Revenue	Percentage of		Usage CCF*
		Total Water	Operating Revenue	
University of Notre Dame	\$ 758,517	5.20%		753,343
I/N TEK Plant	728,052	4.99%		738,411
New Energy	325,051	2.23%		310,562
Allied Signal Aerospace	316,762	2.17%		266,462
South Bend Community Schools	245,476	1.68%		97,481
Memorial Hospital	180,482	1.24%		129,667
St. Joseph Medical Center	93,262	0.64%		55,179
Holy Cross Services Corp	90,458	0.62%		82,568
Aramark Uniform Services	59,950	0.41%		51,552
Town of New Carlisle	<u>31,946</u>	0.22%		47,952
Total of Ten Largest Sewer Customers	\$ <u>2,829,956</u>	19.41%		
Total for Operating Revenue for Wastewater	\$ <u>14,580,577</u>	100.00%		

*Hundreds of Cubic Feet

CITY OF SOUTH BEND, INDIANA
COMPARISON OF GROWTH RATES IN PERSONAL INCOME FOR ST. JOSEPH COUNTY,
THE STATE OF INDIANA AND U.S. DISPOSABLE PERSONAL INCOME

Calendar Year	Amount in Millions		Amount in Billions		Annual Percentage of Increase		
	St. Joseph County Federal AGI	Indiana Federal AGI	U.S. Disposable Personal Income	St. Joseph County Federal AGI	Indiana Federal AGI	U.S. Disposable Personal Income	
1995	3,779	86,445	6,144	1.45%	3.10%	18.95%	
1996	3,913	90,847	6,512	3.55%	5.09%	5.99%	
1997	4,051	95,624	6,907	3.53%	5.26%	6.07%	
1998	4,321	102,779	7,415	6.67%	7.48%	7.35%	
1999	4,573	108,246	7,796	5.83%	5.32%	5.14%	
2000	4,742	114,757	8,422	3.70%	6.02%	8.03%	
2001	5,022	115,668	8,716	5.90%	0.79%	3.49%	
2002	5,191	119,546	8,872	3.37%	3.35%	1.79%	
2003	5,530	125,862	9,157	6.53%	5.28%	3.21%	
2004	5,780	132,362	9,705	4.52%	5.16%	5.98%	
Average Annual Growth - Most Recent 5 Years							
				4.80%	4.12%	4.50%	
Average Annual Growth - Most Recent 10 Years							
				4.50%	4.69%	6.60%	

Obtained from STATS Indiana

CITY OF SOUTH BEND, INDIANA **MISCELLANEOUS STATISTICS**

Incorporated 1865
County Seat of St. Joseph County, Indiana

POLICE DEPARTMENT

Authorized Officers	261
Vehicles	348
Special Officer Groups:	
K-9 Patrols	8
SWAT Team	17
Metro Drug Task Force (of 20 total)	19
NEST - Special Neighborhood Unit	8
Bicycle Patrol Officers	4
Motorcycle Patrol Officers	2
Community Relations Officers	7
Bomb Squad	7
Crime Prevention Officers	3
2005 Crime Data:	
Murders	12
Rapes	69
Robbery	348
Aggravated Assault	356
Residential Burglary	1,085
Non-residential Burglary	593
Larceny	4,366
Theft - Auto	90
Arson	63
Call for Service	121,711
Dispatches	109,657
Miles Driven	3,866,234

SEWER UTILITY

Customers	39,124
Dry Tons of Sludge produced per year	30,087 *
*(English Tons)	
Miles of Sanitary Sewer Lines	550
Miles of Storm Sewer Lines	240

DEPARTMENT OF PUBLIC WORKS

Traffic Lights	114
Street Lights (City maintained)	2,000
Miles of Streets	500
Miles of Sidewalks	685
Miles of Alleys	398
Miles of Sanitary Sewers and Storm Drains	560
City Owned Vehicles	867
Trash Picked Up Per Week (in tons)	648 /wk
(Organic Resource & Landfill)	(67,431 Cu.Yd)

SIGN SHOP

Work orders for sign maintenance, installation or removal	2,150
Gallons of traffic paint for street markings	3,820
Pre-formed plastic arrows used for street markings	40
Built Portables	0
Railroad Crossings	0
Built Barricades	0
Special Signs Built	500

Barricades set up for 2005 events (# of events):	
Block Parties	63
Parades	5
Run/Walkathons & Special Events	53
Notre Dame Football Games	6
Fireworks - Coveleski Stadium	6

FIRE DEPARTMENT

Paid Department established 1887

Sworn Firefighters	248
(51 of which are Paramedics)	
Fire Apparatus	20
Hazardous Materials Truck	1
Reserve Pumper Trucks	2
Reserve Ladder Trucks	2
River Rescue Boats	3
Ambulances	10
Neonatal (Newborn) Units	3
Fire Runs	30,707
Ambulance Runs	11,228

WATER UTILITY

Customers/Meters	43,431
Wells/Pumps in service	32
Pumping Capacity	65 m.g.d.
Daily Consumption	20.1 m.g.d.
Peak Demand	40 m.g.d.
Miles of Distribution Systems	547

**CITY OF SOUTH BEND, INDIANA
MISCELLANEOUS STATISTICS**
(Continued)

SOUTH BEND REGIONAL AIRPORT

<u>Year</u>	<u>Passenger Volume</u>
1996	894,247
1997	991,247
1998	986,350
1999	955,232
2000	857,740
2001	739,407
2002	812,080
2003	802,191
2004	780,033
2005	800,000

The South Bend Regional Airport had over 65,000 take-offs and landings in 2005. Approximately 40 commercial airline flights per day fly to nine hub airports.

Commercial airlines with operations at South Bend Regional Airport:

Delta Connection
United Express
Continental Express
Northwest
Allegian Air

TRANSPO

South Bend Public Transportation Corporation

Route Miles 232
2003 Ridership 3.1 million
2003 Miles of Service 1.8 million

CONVENTION FACILITIES

Century Center	64,000 square feet of exhibit space 2,992 available seating 700 seat theater
Morris Performing Arts Center	2,500 available seating
Notre Dame Joyce Athletic and Convocation Center	115,000 square feet of exhibit space 11,345 available seating
Motels	27 motels/hotels 4 Bed and Breakfasts Over 2,700 available rooms

Major motels and meeting rooms:

Marriott facilities to seat 800
Holiday Inn facilities to seat 300

OTHER TRANSPORTATION

43 Trucking Lines, 33 Terminals
2 Interstate Bus Lines
4 Major Rail Systems (freight and passenger)

COLLEGES AND UNIVERSITIES

<u>Universities and Colleges</u>	<u>Enrollment</u>
The University of Notre Dame	11,417
Indiana University at South Bend	7,459
Bethel College	1,991
St. Mary's College	1,504
Holy Cross College	373
Purdue Program (IUSB)	229
Tri-State University	148
<u>Technical Colleges</u>	
Indiana Vocational Technical	8,000
Michiana College	663
Davenport College	595

HEALTH


Memorial Hospital, St. Joseph's Regional Medical Center and St. Joseph Community Hospital and other hospitals/specialty hospitals provide over 1,500 beds and staff over 700 doctors and dentists with health care costs below the national average and lowest in the Midwest region.

COMMUNICATIONS

Access to:
4 Major TV Networks, 1 Public Broadcasting Station and 1 Local Station
17 FM and 7 AM Radio Stations
1 Major Newspaper - The South Bend Tribune and 2 other weekly newspapers

**CITY OF SOUTH BEND, INDIANA
INSURANCE COVERAGE
2005**

<u>Type of Coverage</u>	<u>Limits of Liability</u>	<u>Estimated Annual Premium</u>
<u>LIABILITY</u>		
Comprehensive General Liability	N/A	Self-Insured
Police Professional Liability	N/A	Self-Insured
Ambulance Malpractice Liability	N/A	Self-Insured
Premises Liability	N/A	Self-Insured
(Clay Utilities, Century Center, Parking Garages)		
CGL - Stadium	N/A	Self-Insured
Liquor Liability	\$1,000,000	\$3,500 Premium
<u>CRIME</u>		
Public Employee Dishonesty	\$1,000,000	\$10,503 Premium
Public Official - Position Schedule Bond	N/A	N/A
<u>PROPERTY</u>		
All risk blanket building contents & BI & Boiler and Machinery	\$400,000,000	\$351,558 Premium
Inland Marine Property Coverage:		
Electronic Equipment	\$10,000,000	\$21,800.00
Contractors Equipment	\$5,000,000	Included in above
Fine Arts Museums	\$5,000,000	Included in above
Valuable Papers	\$10,000,000	Included in above
<u>OTHER</u>		
Workers Compensation	Statutory	Self-Insured
Third Party Fee	Statutory	\$75,000 Fee
Excess Over Self-insured	Statutory	\$123,440 Premium/Fee
\$250,000 Retention Each Accident		



SOUTH BEND



Healthy City

Mayor Steve Luecke



SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

We have audited the financial statements of the City of South Bend (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated April 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 27, 2006



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2765

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF SOUTH BEND, ST. JOSEPH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of South Bend (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 27, 2006

CITY OF SOUTH BEND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct grant			
Public Works and Economic Development Cluster			
Economic Adjustment Assistance	11.307	06-19-01251	\$ 209,973
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct grant			
CDBG - Entitlement and (HUD-Administered) Small Cities Cluster			
Community Development Block Grants/Entitlement Grants	14.218	Section 108 # 7	21,746
		B-04-MC-18-0011	3,259,005
		B-05MC-18-0011	332,530
Total for cluster			3,613,281
Emergency Shelter Grants Program	14.231	S-04-MC-18-0011	17,567
		S-05-MC-18-0011	108,939
Total for program			126,506
Shelter Plus Care	14.238	IN36-C300-008	48,728
		IN36-C300-009	22,501
		IN36-C960-101-96	12,609
		IN36-C400-001	3,357
		IN36-C400-005	21,849
		IN36-C400-006	10,259
Total for program			119,303
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-04-SP-IN-0248	68,043
Fair Housing Assistance Program - State and Local	14.401	FF-205-K-325-014	68,169
		FF-205-K-055-014	44,396
Total for program			112,565
Neighborhood Initiative Projects	14.Unknown	B-01-N1-IN-SB-001	25,955
Total for federal grantor agency			4,065,653
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct grant			
Local Law Enforcement Block Grants Program	16.592	03 lbbx 2275	129,924
		04 lbbx 1293	199
Total for program			130,123
Community Capacity Development Office	16.595	2004-WS-Q04-0089	167,055
		2005-WS-Q05-0056	54,194
		2005-WS-Q05-0237	13,847
Total for program			235,096
Public Safety Partnership and Community Policing Grants	16.710	04 shwx 0063	99,408
Edward Byrne Memorial Justice Assistance Grant Program	16.738	05 djbx 0375	22,057

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF SOUTH BEND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF JUSTICE (continued)			
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523	03 jb 010	45,027
Crime Victim Assistance	16.575	04-VA-012	23,099
		04-VA-138	1,182
		04-VA-139	4,125
		04-VA-140	47,107
		05-VA-116	12,363
		05-VA-117	6,176
		05-VA-118	1,190
Total for program			95,242
Violence Against Women Formula Grants	16.588	04 st 052	13,595
		04 st 063	18,381
		05 st 050	4,857
		05 st 051	7,245
Total for program			44,078
Motor Vehicle Theft Protection Act Program	16.597	03 gp 001	141
		03 gp 002	28,960
		03 gp 008	19,532
		03 gp 012	667
		04 gp 001	4,615
		04 gp 002	32,071
Total for program			85,986
Total for federal grantor agency			757,017
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Indiana Governor's Council on Impaired and Dangerous Driving			
Highway Safety Cluster			
State and Community Highway Safety	20.600	PT-06-04-07-48	21,932
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	154 at 05-03-03-35	50,644
Safety Incentive Grants for Use of Seatbelts	20.604	IN-05-02-03-45	18,750
Total for federal grantor agency			91,326
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct grant			
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	4 FP SLP 0153	70,731
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct grant			
Brownfield Pilots Cooperative Agreements	66.811	BF-965--293-01-1	24,609
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-965-546-01	4,156
		BF-965-597-01	562
		BF-965-645-01	951
Total for program			5,669

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF SOUTH BEND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2005
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458		130,435
Total for federal grantor agency			160,713
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct grant			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-14-391	262,053
Pass-Through Indiana Department of Homeland Security State Domestic Preparedness Equipment Support Program	97.004	02-ttcx-0145	180,851
Total for federal grantor agency			442,904
Total federal awards expended			<u>\$ 5,798,317</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF SOUTH BEND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of South Bend (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note II. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2005:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
CDBG – Entitlement and (HUD Administered)		
Small Cities Cluster	14.218	\$ 1,918,527
Crime Victim Assistance	16.575	95,242
Violence Against Women Formula Grants	16.588	44,078

CITY OF SOUTH BEND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
---	----

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	no
--	----

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
----------------	------------------------------------

CDBG – Entitlement and (HUD Administered) Small Cities Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF SOUTH BEND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

New Home for the Studebaker National Museum



Opening to the public on November 1, 2005, the Studebaker National Museum's priceless collection of wagons, vehicles and artifacts, spanning 150 years of local industrial history, is now in its new home at 201 S. Chapin St., adjacent to the Northern Indiana Center for History.

Construction of the facility was completed on-time and on-budget, in partnership with the Center for History and the South Bend Heritage Foundation, and fulfills the commitment made by the City long ago to provide a suitable venue to display the collection. This is one of several long-term agenda items that we have been able to cross off our list.

This state-of-the-art museum reflects the design traditions of Studebaker buildings from the 1920's and 1930's. The Bullet Nose Gallery sports a Raymond Loewy-designed 1950 Champion convertible, spinning on a large turntable, reflecting how cars were displayed in a 50's showroom. Similarly exciting is an authentic "Car Drop," reminiscent of actual Studebaker production. Hydraulic lifts in the Lower Level hold vehicle storage in "double-decker" fashion, so that all cars, even those not part of an interpreted exhibit, are visible to the public.

The museum also enjoys a renewed alliance with the Studebaker Drivers Club, and will host their national meet in 2007.



Contact Information:

Mayor's Office

574.235.9261

227 W. Jefferson Blvd.

Suite 1400

South Bend, Indiana 46601

www.SouthBendIN.gov

